

**ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY**

BILL NO. O-06-2

SPONSORED BY:

ORDINANCE

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AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY (THE “AUTHORITY”) JOINT WATER AND SEWER SYSTEM REFUNDING AND IMPROVEMENT REVENUE BONDS, IN ONE OR MORE SERIES, IN A MAXIMUM PRINCIPAL AMOUNT OF \$200,000,000 (THE “BONDS”) FOR THE PURPOSES OF REFUNDING ALL OR A PORTION OF THE CITY OF ALBUQUERQUE, NEW MEXICO JOINT WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 1997, AND EXTENDING, REPAIRING, REPLACING AND IMPROVING THE AUTHORITY’S JOINT WATER AND SEWER SYSTEM; PROVIDING FOR THE DISPOSITION OF, AND OTHER DETAILS RELATING TO, THE REVENUES FROM THE OPERATION OF THE SYSTEM INCLUDING THE PAYMENT OF DEBT SERVICE ON SYSTEM OBLIGATIONS; PROVIDING FOR THE APPROVAL OF VARIOUS AGREEMENTS AND DISCLOSURE DOCUMENTS RELATING TO THE BONDS; AND RATIFYING ACTION PREVIOUSLY TAKEN.

Capitalized terms used in the following preambles are defined in Section 1 of this Bond Ordinance, unless the context requires otherwise.

WHEREAS, the Authority is a legally and regularly created, established, organized and existing municipal utility under the general laws of the State; and

WHEREAS, the Authority owns, operates and maintains the System; and

WHEREAS, the Authority is obligated on the Parity Obligations, payable from Net Revenues, Outstanding on the date of the adoption of this Bond Ordinance in the following principal amounts:

Amount		Amount	
<u>Series</u>	<u>Outstanding</u>	<u>Series</u>	<u>Outstanding</u>
1990A	\$26,033,730*	2000A	\$4,960,000
1995	\$9,670,000	2001	\$27,005,000
1997	\$21,250,000	2005	\$132,985,000**
1999A	\$61,115,000		
Drinking Water State Revolving Fund Loan Agreement (2002)			\$1,924,734
Public Project Revolving Fund Loan Agreement (2002)			\$356,498
Drinking Water State Revolving Fund Loan Agreement (2003)			\$3,057,942
Public Project Revolving Fund Loan Agreement (2004)			\$115,415,000
Public Project Revolving Fund Loan Agreement (2005)			\$20,000,000

* accreted value as of July 1, 2005; and

**as of April 1, 2006.

WHEREAS, the Authority is obligated on the following Subordinated Obligations payable from Net Revenues with a lien on the Net Revenues

subordinated to the Parity Obligations Outstanding on the date of the adoption of this Bond Ordinance in the following principal amounts:

<u>Obligation</u>	<u>Amount Outstanding</u>
November 1989 EID Loan	\$3,986,666
November 1991 EID Loan	\$774,841
November 1992 EID Loan	\$2,765,264
August 1995 EID Line of Credit Loan	\$9,529,026
April 2002 EID Loan	\$11,154,455
SAD Bonds	\$360,000*

*The SAD Bonds are not System Obligations; and

[WHEREAS, the Authority has authorized but not yet issued and delivered the Drinking Water State Revolving Fund Loan Agreement (2004) which, when issued and delivered, will be a [Subordinated] Obligation payable from Net Revenues in the original principal amount of \$12,000,000; and]

WHEREAS, the lien of the EID Loans on the Net Revenues is subordinate to the lien of the Parity Obligations on Net Revenues and prior to the lien on Net Revenues of SAD Bonds; and

WHEREAS, to the extent that special assessments are unavailable therefor, the City pledged surplus Net Revenues to the payment of water and sewer SAD Bonds; which conditional pledge is an obligation of the Authority; and

WHEREAS, except as stated in these preambles, the Net Revenues have not been pledged or hypothecated to the payment of any Outstanding obligations and

1 no other obligations are payable from the Net Revenues on the date of this Bond
2 Ordinance; and

3 WHEREAS, there are no obligations which have a lien on the Net Revenues
4 superior to the lien thereon of Parity Obligations; and

5 WHEREAS, the present water facilities and sanitary sewer facilities which
6 comprise the System are insufficient and the System is presently inadequate to
7 meet the needs of the Authority; and

8 WHEREAS, the Authority will realize interest cost savings by refunding the
9 Refunded Bonds.

10 WHEREAS, the Board has determined that it is necessary and in the best
11 interests of the Authority and the residents of the City and the County that the Bonds
12 be authorized pursuant to the Act; and

13 [WHEREAS, a portion of the bond proceeds will be used for the Authority's
14 Basic Capital Program with principal and interest being paid over twelve (12) years;
15 and]

16 WHEREAS, a portion of the bond proceeds will be used for the Authority's
17 San Juan Chama Drinking Water Project with principal and interest being paid over
18 twenty (20) years; and

19 WHEREAS, prior to sale and delivery of the Bonds, there will be presented
20 to the Board for approval:

- 21 1. The proposed form of Preliminary Official Statement; and
- 22 2. The proposed form of Continuing Disclosure Certificate.

23 WHEREAS, all required authorizations, consents or approvals in connection
24 with charging the current rates for services of the System and for the authorization,
25 execution and delivery of the Bonds which are required to have been obtained by
26 the date of this Bond Ordinance have been obtained.

27 BE IT ORDAINED BY THE BOARD, THE GOVERNING BODY OF THE
28 AUTHORITY:

29 Section 1. DEFINITIONS AND RULES OF CONSTRUCTION.

30 (A) DEFINITIONS. As used in this Bond Ordinance, the following
31 terms have the meanings specified, unless the context clearly requires otherwise:

1 ACCRETION TERM DATE. The maturity date of a Capital Appreciation Bond
2 or other date on which a Capital Appreciation Bond converts to a Current Interest
3 Bond.

4 ACCREDITED VALUE. Unless stated otherwise in an ordinance or resolution
5 of the Board, with respect to an Individual Capital Appreciation Bond, an amount
6 equal to the original principal amount of that Capital Appreciation Bond plus the
7 amount, assuming semiannual compounding of earnings, which would be produced
8 on the investment of such original principal amount, beginning on the dated date of
9 that Individual Capital Appreciation Bond and ending at the Accretion Term Date
10 thereof, at an interest rate which, if continued until the Accretion Term Date, will
11 produce the defined value of an Individual Capital Appreciation Bond at the
12 Accretion Term Date. As of any Valuation Date, the Accreted Value of any Capital
13 Appreciation Bond shall mean the amount set forth for such date in the applicable
14 resolution or ordinance. As of any date other than a Valuation Date, the Accreted
15 Value shall mean the sum of (1) the Accreted Value on the preceding Valuation
16 Date and (2) the product of (a) a fraction, the numerator of which is the number of
17 days having elapsed from the preceding Valuation Date and the denominator of
18 which is the number of days in a single compounding period, and (b) the difference
19 between the Accreted Values for such Valuation Dates.

20 ACQUISITION FUND. The “City of Albuquerque Joint Water and Sewer
21 System Bonds Project Acquisition Fund,” established in Section 17 of the Series
22 1990 Master Ordinance and continued by this Ordinance, known as the
23 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
24 System Bonds Project Acquisition Fund.”

25 ACT. Section 72-1-10 NMSA 1978, Sections 11-1-1 to 11-1-7 NMSA 1978,
26 and the Joint Powers Agreement dated February 25, 2004 between the City and the
27 County with respect to the Authority, and enactments of the Board relating to the
28 Ordinance.

29 AUTHENTICATING AGENT. The Registrar or any trust company, national
30 or state banking association or financial institution qualified to act and appointed as
31 the authenticating agent for the Bonds by an Authorized Officer from time to time.

1 AUTHORITY. The Albuquerque Bernalillo Water Utility Authority created by
2 Section 72-1-10 NMSA 1978 as a joint agency of the City and the County and
3 operating under the name Albuquerque Bernalillo County Water Utility Authority.

4 AUTHORIZED DENOMINATIONS. Denominations of \$5,000 or integral
5 multiples of \$5,000.

6 AUTHORIZED OFFICER. The Chair, the Executive Director, or other officer
7 or employee of the Authority when designated by a certificate signed by the Chair
8 from time to time.

9 BASIC CAPITAL PROGRAM. The Authority's basic capital program for
10 funding annual capital needs for regular system improvements, expansion,
11 maintenance and upgrades to operate a water and wastewater utility.

12 BENEFICIAL OWNERS. Beneficial Owners as defined in Section 7 (C).

13 BOARD. The governing body in which is vested the legislative power of the
14 Authority.

15 BOND, BONDS. Bond or Bonds means the Albuquerque Bernalillo County
16 Water Utility Authority Joint Water and Sewer System Refunding and Improvement
17 Revenue Bonds, in one or more series, issued in a maximum aggregate principal
18 amount of \$200,000,000.

19 BOND COUNSEL. An attorney at law or a firm of attorneys, designated by
20 the Authority, of nationally recognized standing in matters pertaining to the issuance
21 of bonds issued by states and their political subdivisions.

22 BOND INSURANCE POLICY. A municipal bond insurance policy issued by
23 a Credit Source insuring the payment when due of the principal of and interest on
24 Insured Obligations.

25 BOND LEGISLATION. This Bond Ordinance and the Sale Resolution.

26 BOND ORDINANCE. This ordinance, being Authority Ordinance No. _____,
27 as amended or supplemented from time to time.

28 BOND PURCHASE AGREEMENT. The Bond Purchase Agreement between
29 the Authority and the Purchaser for each series of Bonds.

30 BUSINESS DAY. Any day during which any Credit Source, the Paying Agent
31 or the Registrar, the offices of the Authority and the New York Stock Exchange are

1 all open for business during normal business hours.

2 CAPITAL APPRECIATION BONDS. System Obligations on which the first
3 scheduled date for payment of principal and/or interest is the Accretion Term Date.
4 For the purposes of (1) receiving payment of the redemption price if a Capital
5 Appreciation Bond is redeemed prior to maturity or (2) determining the principal
6 amount of System Obligations held by the owner of a Capital Appreciation Bond in
7 giving any notice, consent, request, or demand pursuant to an ordinance or
8 resolution of the Board or related document for any purpose whatsoever, the
9 principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted
10 Value.

11 CHAIR. The duly elected Chair of the Board or the Vice Chair of the Board
12 acting in the absence of the Chair.

13 CITY. The City of Albuquerque, in the County of Bernalillo and State of New
14 Mexico.

15 CLOSING DATE. The date of delivery of each series of the Bonds to the
16 Purchaser or its designee.

17 CODE. The Internal Revenue Code of 1986, as amended, the federal
18 income tax regulations of the Treasury Department (whether proposed, temporary
19 or final) and any amendments of, or successor provisions to, the foregoing and any
20 official rulings, announcements, notices, procedures and judicial determinations
21 regarding any of the foregoing, all as and to the extent applicable. Unless otherwise
22 indicated, reference to a Section of the Code in this Bond Ordinance means that
23 Section of the Code and such applicable regulations, rulings, announcements,
24 notices, procedures and determinations pertinent to that Section.

25 COMPLETION DATE. The date of completion of the construction, acquisition
26 and installation of the Project as certified pursuant to Section 18.(A).

27 CONSULTING ENGINEER. Any registered or licensed professional engineer
28 or firm of engineers, entitled to practice and practicing as such under the laws of the
29 State, retained and compensated by the Authority but not in the regular employ of
30 the Authority, the City or the County; but, as to any construction drawings and
31 specifications prepared for the System by Authority or City employees under the

1 supervision of the Authority Engineer or City Engineer this term may include the
2 Authority Engineer or City Engineer.

3 CONTINUING DISCLOSURE CERTIFICATE. The certificate of the Authority
4 for the benefit of Owners pursuant to which the Authority will agree for the benefit
5 of Owners that, while the Bonds are Outstanding, the Authority will annually provide
6 certain financial information and operating data and will provide notice of certain
7 material events in accordance with Rule 15c2-12 promulgated under the Securities
8 Exchange Act of 1934.

9 COUNSEL. An attorney at law (who may be counsel to the Authority).

10 COUNTY. Bernalillo County, New Mexico.

11 CREDIT FACILITY. A letter of credit, line of credit, Bond Insurance Policy or
12 Reserve Account Surety Bond, guaranty or similar agreement provided by a Credit
13 Source whose senior unsecured debt is rated no lower than the current rating on the
14 applicable System Obligations and in any event no lower than "A" by Moody's, S&P
15 and Fitch to the extent each such rating agency is then rating those System
16 Obligations to provide support to pay the purchase price of, or the payment when
17 due of the principal of and interest on, System Obligations.

18 CREDIT SOURCE. Any bank, insurance company or other financial
19 institution which provides a Credit Facility for a series of System Obligations.

20 DEBT SERVICE ACCOUNT. An account of the Debt Service Fund for the
21 deposit of Net Revenues and proceeds of a series of System Obligations for the
22 payment of Debt Service Requirements on that series of System Obligations.

23 DEBT SERVICE FUND. The Debt Service Fund established in Section 17
24 of the Series 1990 Master Ordinance of the City and continued by this Ordinance.

25 DEBT SERVICE REQUIREMENTS. With respect to System Obligations and
26 for any given period, the sum of: (1) the amount required to pay the interest, or to
27 make reimbursements for payments of interest, becoming due on System
28 Obligations during that period, plus (2) the amount required to pay the principal or
29 Accreted Value, or to make reimbursements for the payment of principal or Accreted
30 Value, becoming due on System Obligations during that period, whether at maturity,
31 an accretion term date or upon mandatory sinking fund redemption dates, plus (3)

1 the periodic payments required to be made by the Authority pursuant to a Qualified
2 Exchange Agreement minus (4) the periodic payments to be received by the
3 Authority pursuant to a Qualified Exchange Agreement. No payments required for
4 any System Obligations which may be tendered or otherwise presented for payment
5 at the option or demand of the owners of System Obligations, or which may occur
6 because of the exercise of an option by the Authority, or which may otherwise
7 become due by reason of any other circumstance or contingency, including
8 acceleration or early termination payments, which constitute other than regularly
9 scheduled payments of principal, Accreted Value, interest or other regularly
10 scheduled payments on System Obligations shall be included in any computation
11 of Debt Service Requirements for that period.

12 Unless, at the time of computation of Debt Service Requirements, payments
13 on System Obligations are owed to, or System Obligations are owned or held by,
14 the provider of a Credit Facility pursuant to the provisions of that Credit Facility, the
15 computation of interest for the purposes of this definition shall be made without
16 considering the interest rate payable pursuant to a Credit Facility.

17 In any computation of Debt Service Requirements relating to the issuance of
18 additional Parity Obligations, there shall be excluded from the computation of the
19 Debt Service Requirements amounts and Investments which are irrevocably
20 committed to make designated payments on System Obligations during the
21 applicable period, including, without limitation, money on deposit in any Debt Service
22 Account and amounts on deposit in an escrow account irrevocably committed to
23 make designated payments on System Obligations during the applicable period and
24 earnings on such investments which are payable and committed to the payment of
25 such System Obligations during the applicable period. For the purpose of the
26 definition of Debt Service Requirements, the Accreted Value of Capital Appreciation
27 Bonds becoming due shall be included in the calculation of accrued and unpaid and
28 accruing interest and principal only from and after the date which is one year prior
29 to the date on which the Accreted Value becomes payable.

30 Unless otherwise required by an Authority ordinance or resolution relating to
31 a series of System Obligations, to determine Debt Service Requirements of Variable

1 Rate Obligations, the Authority shall use the procedures set forth in the following
2 paragraphs to determine the amount of interest or other payments to be paid by the
3 Authority on Variable Rate Obligations and the amount of credit against Debt
4 Service Requirements for payments to be received by the Authority based upon
5 Variable Rate Obligations to be made by a counterparty pursuant to a Qualified
6 Exchange Agreement.

7 (1) During any historical period for which the actual variable
8 interest rate or rates are determinable, the actual variable interest rate shall be
9 used. During any historical period when the actual variable interest rate is not
10 determinable, the variable interest rate shall, for the purpose of determining Debt
11 Service Requirements, be deemed to be the higher of:

12 (a) the actual variable interest rate, if any, at the time
13 of computation or

14 (b) a fixed annual rate equal to the prevailing rate on
15 the Variable Rate Obligations on the date of computation (which, for the purpose of
16 determining the debt service reserve requirement, shall be the date of initial
17 issuance of the applicable System Obligations) as certified by the Authority's
18 financial advisor, the purchaser of the System Obligations, an investment banker
19 designated by the Authority from time to time or a counterparty.

20 (2) Prospective computations of interest payable on Variable
21 Rate Obligations, including those relating to the issuance of additional Parity
22 Obligations required by Section 27 or required by the Rate Covenant, shall be made
23 on the assumption that such obligations bear interest at a fixed annual rate equal
24 to:

25 (a) the average of the daily rates of such System
26 Obligations during the 365 consecutive days (or any lesser period such System
27 Obligations have been Outstanding) next preceding a date which is no more than
28 60 days prior to the date of the issuance of the additional Parity Obligations; or

29 (b) with respect to System Obligations initially issued
30 or incurred as or being converted to Variable Rate Obligations, the estimated initial
31 rate of interest of such System Obligations upon the date of issuance, exchange or

1 conversion as certified by the Authority's financial advisor, another Investment
2 banker, as designated by the Authority from time to time, or a counterparty with
3 respect to a Qualified Exchange Agreement.

4 DEFEASANCE OBLIGATIONS.

5 (1) Government Obligations; or
6 (2) if permitted by law, other obligations which would result
7 in the defeased Bonds receiving the same rating from any national rating agency
8 then rating such series of bonds as would have been received if the obligations
9 described in clause (1) of this definition had been used.

10 DEPOSITORIES. The following registered securities depository: The
11 Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530,
12 Fax (516) 227-4190 or 4164; or in accordance with then-current guidelines of the
13 Securities and Exchange Commission, to such other addresses and/or such other
14 securities depositories, or no such depositories, as the Authority may designate in
15 a certificate of the Authority delivered to the Trustee.

16 DRINKING WATER STATE REVOLVING FUND LOAN. The loan of funds
17 made to the Authority by the NMFA pursuant to a loan agreement.

18 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
19 (2002). The loan agreement dated May 10, 2002 between the NMFA and the City
20 in the original principal amount of \$2,450,000 and approved by City Ordinance
21 Enactment No. 10-2002.

22 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
23 (2003). The loan agreement dated April 11, 2003 between the NMFA and the City
24 in the original principal amount of \$3,600,000 and approved by City Ordinance
25 Enactment No. 10-2002 and Resolution Enactment No. 19-2003.

26 EID. The New Mexico Environment Department, formerly the New Mexico
27 Environmental Improvement Division of the Health and Environment Department of
28 the State.

29 EID LOANS. As of the date of adoption of the Ordinance: (i) the loan made
30 to the City by EID, evidenced by that Loan Agreement effective as of November 1,
31 1989, as amended, authorized by City Ordinance No. 46-1989; (ii) the loan made

1 to the City by EID, evidenced by that Loan Agreement dated November 15, 1991,
2 as amended, authorized by City Ordinance No. 36-1991; (iii) the loan made to the
3 City by EID, evidenced by that Loan Agreement dated November 5, 1992, as
4 amended, authorized by City Ordinance No. 46-1992; (iv) the loan made to the City
5 by EID, evidenced by that Loan Agreement dated July 31, 1995, authorized by City
6 Ordinance No. 38-1995; (v) the loan made to the City by EID, evidenced by a Loan
7 Agreement dated Jun 18, 2002, authorized by City Ordinance No. 58–2001.

8 ELECTRONIC MEANS. Telephone, telecopy, telegraph, facsimile
9 transmission or any other similar means of electronic communication. Any
10 communication by telephone as an Electronic Means shall promptly be confirmed
11 in writing, which may be by one of the other means of electronic communication
12 listed in this definition.

13 EXPENSE ACCOUNT. That account established for the purpose of
14 appropriating for the annual budget that part of the Operation and Maintenance
15 Expenses which are reasonably necessary for the administration of the Debt Service
16 Fund and which is a separate account of the Debt Service Fund.

17 EXPENSES. The reasonable and necessary fees, costs and expenses
18 incurred by the Authority with respect to the Bonds incurred pursuant to the
19 issuance of, including disclosure matters pertaining to, the Bonds, including, without
20 limitation, attorneys' fees, premiums and costs for any Credit Facility, costs of
21 advertising and publication, underwriter's discounts, cost of printing bonds and
22 disclosure documents, legal fees and expenses, and expenses of any Independent
23 Accountant and all reasonable and necessary fees and administrative costs of the
24 Authority relating to the foregoing. Expenses do not include any payment of or
25 reimbursement for the payment of Debt Service Requirements or premiums on the
26 Bonds or liabilities incurred by the Authority as the result of negligence in the
27 operation of the System or any payments made to the Authority's general fund as
28 payments in lieu of franchise or other City taxes.

29 FISCAL YEAR. The twelve-month period beginning on the first day of July
30 of each year and ending on the last day of June of the next succeeding year, or any
31 other twelve-month period, which the Authority designates.

1 FITCH. Fitch Ratings, its successors and assigns, and, if such entity is
2 dissolved or liquidated or no longer performs the functions of a securities ratings
3 agency, "Fitch" shall be deemed to refer to any other nationally recognized securities
4 rating agency designated by the Authority.

5 GOVERNMENT OBLIGATIONS. Direct obligations of, or obligations the
6 principal of and interest on which are unconditionally guaranteed by, the United
7 States of America or certificates or receipts established by the United States
8 Government or its agencies or instrumentalities representing direct ownership of
9 future interests or principal payments on direct obligations of, or obligations fully
10 guaranteed by, the United States of America or any of its agencies or
11 instrumentalities the obligations of which are backed by the full faith and credit of the
12 United States, which obligations are held by a custodian in safekeeping on behalf
13 of the holders of such receipts, and rated or assessed in its highest Rating Category
14 by S&P, if then rating the Bonds, by Fitch, if then rating the Bonds, and by Moody's,
15 if then rating the Bonds.

16 GROSS REVENUES. All income and revenues directly or indirectly derived
17 by the Authority from the operation and use of the System, or any part of the
18 System, and includes, without limitation, all revenues received by the Authority, or
19 any municipal corporation or agency succeeding to the rights of the Authority, from
20 the System and from the sale and use of water, water services or facilities, sewer
21 service or facilities or any other service, commodity or facility or any combination
22 thereof furnished to the inhabitants of the Authority (including all territorial
23 annexations which may be made while any of the System Obligations are
24 outstanding) by means of the System as the same may at any time exist to serve
25 customers outside the Authority's geographical limits as well as customers within
26 the Authority's geographical limits. Such term also includes:

- 27 (1) All income derived from the investment of any money in
28 the Acquisition Fund, Joint Water and Sewer Fund, Debt Service Fund and Rate
29 Stabilization Fund and from surplus Net Revenues;
- 30 (2) Money released from the Rebate Fund to the Authority;
- 31 (3) Money released from the Rate Stabilization Fund to the

1 extent that the amount released is used to pay Operation and Maintenance
2 Expenses or Debt Service Requirements on System Obligations in the year
3 released; provided that withdrawals from the Rate Stabilization Fund shall not be
4 included in Gross Revenues for the purposes of the Rate Covenant in any two
5 consecutive calendar years; and

6 (4) Property insurance proceeds which are not necessary
7 to restore or replace the property lost or damaged and the proceeds of the sale or
8 other disposition of any part of the System.

9 Gross Revenues do not include:

10 (1) any money received as grants or gifts from the United
11 States of America, the State or other sources, or the proceeds of any charge or tax
12 intended as a replacement therefor or other capital contributions from any source
13 which are restricted as to use; and

14 (2) condemnation proceeds or the proceeds of any
15 insurance policy, except any property insurance proceeds described above in clause
16 (4) of this definition or in Section 29.(L) or derived in respect of loss of use or
17 business interruption.

18 HISTORIC TEST PERIOD. Any period of 12 consecutive months out of the
19 24 calendar months next preceding the delivery of additional Parity Obligations
20 pursuant to Section 27.(B).

21 INDEPENDENT ACCOUNTANT. Any certified public accountant, registered
22 accountant, or firm of accountants duly licensed to practice and practicing as such
23 under the laws of the State, appointed and paid by the Authority who (a) is, in fact,
24 independent and not under the domination of the Authority, the City or the County,
25 (b) does not have any substantial interest, direct or indirect, with the Authority, the
26 City or the County, and (c) is not connected with the Authority as an officer or
27 employer of the Authority, but who may be regularly retained to make annual or
28 similar audits of the books or records of the Authority, the City or the County.

29 INDIVIDUAL CAPITAL APPRECIATION BOND. A Capital Appreciation Bond
30 having an original principal amount which is payable as to principal and interest at
31 the Accretion Term Date of that Capital Appreciation Bond in the amount of \$5,000

1 or other amount stated in an ordinance or resolution of the Board.

2 INFORMATION SERVICES. Financial Information, Inc.'s "Daily Called Bond
3 Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attn:
4 Editor, (201) 332-5400; Financial Information Services, 5250 77 Center Drive, Suite
5 150, Charlotte, North Carolina 28217, Attn: "Called Bonds Department," (704) 527-
6 2700; Kenny Information Systems, Inc. "Called Bond Service," 65 Broadway, 16th
7 Floor, New York, New York 10006, (212)770-4595; Standard & Poor's "Called Bond
8 Record," 25 Broadway, 3rd Floor, New York, New York 10004, (212) 208-8000;
9 Bloomberg Municipal Repositories, P.O. Box 840, Princeton, New Jersey 08542-
10 0840, (609)279-3225; DPC Data Inc., One Executive Drive, Fort Lee, New Jersey
11 07024, (201) 346-0701; Thomson NRMSIR, 395 Hudson Street, 16th Floor, New
12 York, New York, Attn: Municipal Disclosure, (212) 807-5001; or, in accordance with
13 then-current guidelines of the Securities and Exchange Commission, to such other
14 address and/or such other services providing information with respect to called
15 bonds or no such services, as an Authorized Officer may specify in writing.

16 INSURED BANK. A bank insured by an agency of the United States.

17 INSURED OBLIGATIONS. System Obligations insured by a Bond Insurance
18 Policy or payable with the proceeds of another Credit Facility.

19 INTEREST PAYMENT DATE. For the Series 2006 Bonds, January 1 and
20 July 1 of each year (or if such day is not a Business Day, then the next succeeding
21 Business Day) beginning on January 1, 2007. For additional series of Bonds, the
22 dates set forth in the Sale Resolution.

23 JOINT WATER AND SEWER FUND. The "City of Albuquerque, New Mexico,
24 Joint Water and Sewer Fund" originally established in Section 16 of Ordinance No.
25 18-1984 and continued by this Ordinance as the "Albuquerque Bernalillo County
26 Water Utility Authority Joint Water and Sewer Fund."

27 MOODY'S. Moody's Investors Service, Inc., a corporation organized and
28 existing under the laws of the State of Delaware, its successors and their assigns,
29 and, if such corporation does not provide a rating for the Bonds, "Moody's" shall be
30 deemed to refer to any other nationally recognized securities rating agency rating
31 the Bonds.

1 NMFA. The New Mexico Finance Authority.

2 NMSA 1978. New Mexico Statutes Annotated, 1978 Compilation, as
3 amended and supplemented.

4 NET REVENUES. The Gross Revenues after deducting Operation and
5 Maintenance Expenses.

6 OFFICIAL STATEMENT. The final disclosure document, if any, relating to
7 the offer and sale of each series of the Bonds (including the cover page and all
8 summary statement appendices and other materials included or incorporated by
9 reference or attached thereto), as amended or supplemented.

10 OPERATION AND MAINTENANCE EXPENSES. All reasonable and
11 necessary current expenses of the System, paid or accrued, related to operating,
12 maintaining and repairing the System including, without limiting the generality of the
13 foregoing:

14 (1) legal and overhead expenses directly related and
15 reasonably allocable to the administration of the System;

16 (2) insurance premiums for the System, including, without
17 limitation, premiums for property insurance, public liability insurance and workmen's
18 compensation insurance, whether or not self-funded;

19 (3) premiums, expenses and other costs (other than
20 required reimbursements of insurance proceeds and other amounts advanced to
21 pay Debt Service Requirements on System Obligations) for Credit Facilities;

22 (4) Expenses other than expenses paid from the proceeds
23 of System Obligations;

24 (5) the costs of audits of the books and accounts of the
25 System;

26 (6) amounts required to be deposited in the Rebate Fund or
27 otherwise required to make rebate payments to the United States Government; and

28 (7) salaries, administrative expenses, labor costs, surety
29 bonds and the cost of materials and supplies used for or in connection with the
30 current operation of the System.

31 Operation and Maintenance Expenses do not include any allowance for

1 depreciation, payments in lieu of taxes, liabilities incurred by the Authority as a result
2 of its negligence or other misconduct in the operation of the System or any charges
3 for the accumulation of reserves for capital replacements.

4 OUTSTANDING. When used in reference to System Obligations, on any
5 particular date, the aggregate of all System Obligations issued and delivered under
6 the applicable Authority or City ordinance authorizing the issuance of, System
7 Obligations except:

8 (1) those canceled at or prior to such date or delivered to or
9 acquired by the Authority or the City at or prior to such date for cancellation;

10 (2) those which have been paid or are deemed to be paid
11 in accordance with the Authority or City ordinance or resolution authorizing the
12 issuance of the applicable System Obligations or otherwise relating thereto,
13 provided that the payment of Insured Obligations with the proceeds of a Bond
14 Insurance Policy shall not result in those Insured Obligations ceasing to be
15 Outstanding;

16 (3) in the case of Variable Rate Obligations, System
17 Obligations deemed tendered but not yet presented for payment;

18 (3) those Bonds which have been refunded in accordance
19 with this Ordinance or other Ordinance of the Authority authorizing the issuance of
20 the applicable bonds; and

21 (4) those in lieu of or in exchange or substitution for which
22 other System Obligations shall have been delivered, unless proof satisfactory to the
23 Authority or the City and the Paying Agent for the applicable System Obligations is
24 presented that any System Obligation for which a new System Obligation was
25 issued or exchanged is held by a bona fide holder or in due course.

26 OWNER. The registered owner or owners of any Bond as shown on the
27 registration books maintained by the Registrar.

28 PARITY OBLIGATIONS.
29

30 Series 1990A Bonds

Series 2000A Bonds

31 Series 1995 Bonds

Series 2001 Bonds

1 Banks for Cooperatives) – consolidated system-wide bonds and notes; Federal
2 Home Loan Banks -- consolidated debt obligations; Federal National Mortgage
3 Association -- senior debt obligations and mortgage-backed securities (excluding
4 stripped mortgage securities which are valued greater than par on the portion of
5 unpaid principal); Student Loan Marketing Association -- senior debt obligations
6 (excluding securities that do not have a fixed par value and/or whose terms do not
7 promise a fixed dollar amount at maturity or call date) and letter of credit backed
8 issues; Financing Corporation -- debt obligations; and Resolution Funding
9 Corporation -- debt obligations;

10 (4) Certificates of deposit, time deposits and banker's
11 acceptances of any bank or savings and loan association, the short-term obligations
12 of which are rated in the highest Rating Categories by S&P and Moody's, if then
13 rating the Bonds, provided that such deposits must be fully secured by securities
14 designated in paragraphs (1), (2), (3) and (9) of this definition and held in
15 safe-keeping for, or on behalf of, or held in book-entry form in the name of, the
16 Authority;

17 (5) Accounts with banks and savings and loan associations
18 located in Bernalillo County, provided that the banks and savings and loan
19 associations, and the collateral securing the investments permitted by this
20 paragraph, satisfy the requirements of applicable State law;

21 (6) Obligations, the interest on which is excluded from gross
22 income of the recipient for federal income tax purposes, which are rated in the
23 highest Rating Category by S&P, Fitch and Moody's, if then rating the Bonds;

24 (7) Money market instruments and other securities of
25 commercial banks, broker-dealers or recognized financial investors, which
26 securities or institutions are rated in the highest Rating Category by S&P, Fitch and
27 Moody's, if then rating the Bonds, or which securities are guaranteed by a person
28 or entity whose long-term debt obligations are rated in the highest Rating Category
29 by S&P, Fitch and Moody's, if then rating the Bonds, including, without limitation,
30 securities of, or other interests in, any open-end or closed-end management type
31 investment company or investment trust registered under the provisions of 15

1 U.S.C. Sections 80(a)-1 et. seq., which invest only in, or whose securities are
2 secured only by, obligations of the type set forth in paragraphs (1), (2), (3) and (9)
3 of this definition;

4 (8) The "short-term investment fund" described in Section
5 6-10-10.1 NMSA. 1978 or other similar pooled fund maintained by the State for the
6 investment of public funds of local public bodies of the State;

7 (9) Stripped Securities: (i) U.S. Treasury STRIPS and (ii)
8 REFCORP STRIPS (stripped by Federal Reserve Bank of New York);

9 (10) Repurchase agreements involving the purchase and sale
10 of, and guaranteed investment contracts, the par value of which is collateralized by
11 a perfected first pledge of, or security interest in, or the payments of which are
12 unconditionally guaranteed by, securities described in parts (1), (2), (3) and (9) of
13 this definition, which collateral is held by the Authority, or for the benefit of the
14 Authority, by a party other than the provider of the guaranteed investment contract
15 or repurchase agreement, with a collateralized value of at least 102% of the par
16 value of such repurchase agreement or guaranteed investment contract or 102% of
17 the market value thereof, valued at intervals of no less than monthly and which
18 collateral is not subject to any other pledge or security interest;

19 (11) Cash insured at all times by the Federal Deposit
20 Insurance Corporation or otherwise collateralized with Government Obligations; and

21 (12) Agreements which permit the Authority to require a
22 commercial bank, broker-dealer or recognized financial institution to purchase from
23 the Authority at a fixed price obligations described in paragraphs (1), (2), (3), and
24 (9) of this definition; provided that, if required by law, the contract relating to such
25 agreement is approved by resolution of the Board and all other requirements of law
26 relating to any such investment are satisfied and provided further that such
27 institution, or the guarantor of such institution or agreement, shall be rated in one of
28 the top two Rating Categories by S&P and Moody's, if then rating the Series 1999A
29 Bonds or the Series 2000A Bonds or by another national rating agency.

30 PRELIMINARY OFFICIAL STATEMENT. The initial disclosure document, if
31 any, relating to the offer and sale of the Bonds.

1 PROJECT. Regular system improvements, expansion, maintenance and
2 upgrades to operate a water and wastewater utility pursuant to the Basic Capital
3 Program, diversion of surface water from the San Juan Chama and delivering it for
4 use by current and future users of the System, extension of the System into broader
5 service areas, and further development of the Valley Utilities System.

6 PROSPECTIVE TEST PERIOD. The 12 month period commencing on the
7 first day of the month following the estimated Completion Date of the Project for
8 which additional Parity Obligations are proposed to be issued pursuant to Section
9 27.(B) or the first day of the thirty-sixth month following the delivery of such Parity
10 Obligations, whichever is earlier.

11 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2002). The
12 loan agreement dated May 10, 2002 between the NMFA and the City in the principal
13 amount of \$450,000 and approved by City Ordinance Enactment No. 10-2002.

14 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2004). The
15 loan agreement dated October 13, 2004 between the NMFA and the Albuquerque
16 Bernalillo County Water Utility Authority in the principal amount of \$118,415,000 and
17 approved by Ordinance O-04-2.

18 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2005). The
19 loan agreement dated October 28, 2005 between the NMFA and the Albuquerque
20 Bernalillo County Water Utility Authority in the principal amount of \$20,000,000 and
21 approved by Ordinance No. O-05-3.

22 PURCHASERS. RBC Capital Markets and such other entities, if any,
23 designated in the Sale Resolution, the original purchasers of the Bonds.

24 QUALIFIED EXCHANGE AGREEMENT. Any financial arrangement between
25 the Authority and a counterparty which, when entered into by the Authority, satisfies
26 the requirements of Section 6-18-8.1 NMSA 1978.

27 RATE COVENANT. The covenant in Section 29.(C) relating to charging rates
28 for use of the System to pay Debt Service Requirements.

29 RATE STABILIZATION FUND. The Rate Stabilization Fund for System
30 Obligations established in Section 17 of the Series 1990 Master Ordinance of the
31 City and continued by this Bond Ordinance.

1 RATING CATEGORY. A generic securities rating category, without regard,
2 in the case of a long-term rating category, to any refinement or gradation of such
3 long-term rating category by a numerical modifier or otherwise.

4 REBATE FUND. The Rebate Fund for System Obligations established in
5 Section 17 of the Series 1990 Master Ordinance of the City and continued by this
6 Ordinance.

7 RECORD DATE. The fifteenth day of the calendar month preceding each
8 Interest Payment Date.

9 REFUNDED BONDS. The Series 1997 Bonds in such principal amounts and
10 maturing in the years as set forth in the Sale Resolution.

11 REFUNDING ACCOUNT. The account created hereof for payment of the
12 principal, interest and premium, if any, on the Refunded Bonds.

13 REGISTRAR. The City Treasurer, an employee of the Authority or any trust
14 company, national or state banking association or financial institution qualified to act
15 and appointed as the registrar for the Bonds by an Authorized Officer from time to
16 time.

17 REPLACEMENT FUND. The Replacement Fund established in Section 17
18 of the Series 1990 Master Ordinance of the City and continued by this Bond
19 Ordinance.

20 RESERVE ACCOUNT. The accounts of the Debt Service Fund to be
21 established for Parity Obligations with a reserve requirement.

22 RESERVE ACCOUNT SURETY BOND. Any policy of insurance or surety
23 bond or other Credit Facility issued to the Authority to be deposited in a Reserve
24 Account, the proceeds of which shall be used to prevent deficiencies in the payment
25 of the principal of or interest on a series of System Obligations written by an insurer
26 whose policies of insurance, or issued by a Credit Source whose Credit Facility,
27 would not adversely affect the rating of the System Obligations by either Moody's,
28 S&P or Fitch if the Bonds are then rated by Moody's, S&P or Fitch. At the time of
29 the issuance of such policy, such insurer or the component insurance companies
30 thereof or the obligations thereof shall have received the highest policy claims rating
31 accorded insurers by the A. M. Best Company or any comparable service and either

1 of the two highest rating categories of Moody's, S&P or Fitch if the Bonds are then
2 rated by Moody's, S&P or Fitch.

3 S&P. Standard & Poor's Ratings Services, a division of the McGraw-Hill
4 Companies, Inc., its successors and their assigns, and, if such corporation does not
5 provide a rating for the Bonds, "S&P" shall be deemed to refer to any other
6 nationally recognized securities agency rating the Bonds.

7 SAD BONDS. All Outstanding water and sewer special assessment district
8 bonds issued by the City, issued prior to the date of this Bond Ordinance with a
9 pledge on the Net Revenues subordinate to the pledge of Net Revenues on all
10 System Obligations. SAD Bonds are not System Obligations.

11 SALE RESOLUTION. One or more resolutions, and all amendments thereto,
12 of the Board adopted pursuant to this Ordinance approving details of issuance [of
13 additional series] of the Bonds, if any[, following the issuance of the Series 2006
14 Bonds].

15 SERIES 1990 MASTER ORDINANCE OF THE CITY. City Ordinance
16 Enactment No.14-1990.

17 SERIES 1990A BONDS. The Outstanding System Obligations designated
18 as the "City of Albuquerque, New Mexico Joint Water and Sewer System Revenue
19 Bonds, Series 1990A" authorized by the Series 1990 Master Ordinance of the City.

20 SERIES 1995 BONDS. The Outstanding System Obligations designated as
21 the "City of Albuquerque, New Mexico Joint Water and Sewer System Revenue
22 Bonds, Series 1995," authorized to be issued by City Ordinance Enactment No. 37-
23 1995.

24 SERIES 1997 BONDS. The Outstanding System Obligations designated as
25 the "City of Albuquerque, New Mexico Joint Water and Sewer System Revenue
26 Bonds, Series 1997," authorized to be issued by City Ordinance Enactment No. 31-
27 1997.

28 SERIES 1999A BONDS. The System Obligations authorized to be issued by
29 this Bond Ordinance designated as the "City of Albuquerque, New Mexico Joint
30 Water and Sewer System Refunding and Improvement Revenue Bonds, Series
31 1999A," with a lien on the Net Revenues on a parity with the lien of the Outstanding

1 Parity Obligations on Net Revenues.

2 SERIES 2000A BONDS. The Outstanding System Obligations designated
3 as the "City of Albuquerque, New Mexico Joint Water and Sewer System Refunding
4 Revenue Bonds, Series 2000A," authorized to be issued by City Ordinance
5 Enactment No. 39-1998.

6 SERIES 2001 BONDS. The outstanding System Obligations designated as
7 the "City of Albuquerque, New Mexico Joint Water and Sewer System Revenue
8 Bonds, Series 2001," authorized to be issued by City Ordinance Enactment No. 54-
9 2001.

10 SERIES 2004 BONDS. The outstanding System Obligations designated as
11 the "Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
12 System Improvement Revenue Bonds, Series 2004," authorized to be issued by
13 Ordinance No. F/S O-05-2.

14 SERIES 2005 BONDS. The Outstanding System Obligations designated as
15 "Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
16 System Improvement Revenue Bonds, Series 2005," in the principal amount of
17 \$132,985,000 authorized and issued by the Authority.

18 SERIES 2006 BONDS DEBT SERVICE ACCOUNT. An account of the Debt
19 Service Fund established for the deposit of amounts necessary to pay Debt Service
20 Requirements on the Bonds.

21 SERIES 2006 BONDS RESERVE ACCOUNT. An account of the Debt
22 Service Fund to hold the debt service reserve for the Series 2006 Bonds, if required.

23 STATE. The State of New Mexico.

24 SUBORDINATED OBLIGATIONS. The SAD Bonds, the EID Loans and all
25 other bonds and other obligations of the Authority (including those previously issued
26 by the City) now or hereafter issued with a lien on the Net Revenues subordinate to
27 the liens of Parity Obligations on Net Revenues. The lien on Net Revenues of the
28 EID Loans is prior to the lien on Net Revenues of the SAD Bonds.

29 SYSTEM. The public utility owned by the Authority and designated as the
30 Authority's water system and sanitary sewer system (continued as a joint utility
31 system in Section 4) consisting of all properties, real, personal, mixed or otherwise,

1 now owned or hereafter acquired by the Authority, through purchase, construction
2 or otherwise, including all extensions, enlargements and improvements of or to the
3 water and sanitary sewer system and used in connection therewith or relating
4 thereto, and any other related activity or enterprise of the Authority designated by
5 the Board as part of the water and sanitary sewer system, whether situated within
6 or without the geographical limits of the Authority.

7 SYSTEM OBLIGATIONS. All bonds and other similar indebtedness payable
8 solely or primarily from Net Revenues, including, without limitation, the Parity
9 Obligations, and Subordinate Obligations except the SAD Bonds which are not
10 System Obligations.

11 VALUATION DATE. Unless stated otherwise in an ordinance or resolution
12 of the Board, each January 1 and July 1 while Capital Appreciation Bonds are
13 Outstanding, being the dates on which the Accreted Value of Capital Appreciation
14 Bonds are listed in the applicable ordinance or resolution.

15 VARIABLE RATE OBLIGATIONS. System Obligations, including
16 reimbursement obligations pursuant to a Credit Facility, the interest rate on which
17 is subject to change from time to time.

18 RULES OF CONSTRUCTION. For purposes of this Bond Ordinance, unless
19 otherwise expressly provided or unless the context require otherwise:

20 (1) Unless otherwise stated in this Bond Ordinance, all
21 references in this Bond Ordinance to designated Sections and other subdivisions
22 are to the designated Section and other subdivision of this Bond Ordinance.

23 (2) The words "herein", "hereof", "hereunder", and "herewith"
24 and other words of similar import in this Bond Ordinance refer to this Bond
25 Ordinance, as a whole, and not to any particular Section or other subdivision.

26 (3) All accounting terms not otherwise defined in this Bond
27 Ordinance have the meanings assigned to them in accordance with generally
28 accepted accounting principles.

29 (4) Words of the masculine gender shall be deemed and
30 construed to include correlative words of the feminine and neuter genders.

31 (5) The headings used in this Bond Ordinance are for

1 convenience of reference only and shall not define or limit the provisions of this
2 Bond Ordinance.

3 (6) Terms in the singular include the plural and vice versa.

4 Section 2. RATIFICATION. All actions previously taken (not inconsistent
5 with the provisions of this Bond Ordinance) by the Board and the officers of the
6 Authority, directed toward the authorization, issuance and sale of the Bonds are
7 ratified, approved and confirmed.

8 Section 3. FINDINGS. The Authority declares that it has considered all
9 relevant information and data and finds that the issuance of the Bonds under the
10 Act to provide funds to refund the Refunded Bonds and to finance the Project in
11 order to improve the System are necessary and in the interest of the public health,
12 safety and welfare of the residents of the City and the County.

13 Section 4. JOINT UTILITY. The municipal water facilities and the
14 municipal sanitary sewer facilities shall continue to constitute a joint public utility
15 (i.e., the System shall be operated and maintained as such).

16 Section 5. LIABILITY FOR OUTSTANDING SYSTEM OBLIGATIONS.
17 The Authority hereby confirms that, in accordance with Section 72-1-10, NMSA
18 1978, and with respect to all System Obligations and, to the extent of the pledge of
19 the Net Revenues in favor of the SAD Bonds, the Authority has assumed all of the
20 obligations that were entered into by the City prior to the Authority's acquisition of
21 the System.

22 Section 6. AUTHORIZATION OF PROJECT, EXPENSES AND RESERVE
23 REQUIREMENTS.

24 (A) PROJECT. The Project is hereby authorized and approved.

25 (B) REFUNDING. Refunding the Refunded Bonds is hereby
26 authorized and approved.

27 (C) EXPENSES. The payment of Expenses is authorized and
28 approved.

29 (D) PROCEEDS. The net proceeds of the Bonds will be used
30 exclusively to finance the refunding of the Refunded Bonds and to finance the
31 Project.

1 Section 7. THE BONDS.

2 (A) AUTHORIZATIONS. This Bond Ordinance has been adopted
3 by the affirmative vote of at least three-fourths of all of the members of the Board.
4 For the purpose of protecting the public health, conserving the property, protecting
5 the general welfare and prosperity of the citizens of the Authority refunding the
6 Refunded Bonds and constructing and acquiring the Project, it is necessary that the
7 Authority issue, and the Authority is hereby authorized to issue, pursuant to the Act,
8 (i) its negotiable, fully registered bonds designated as "Albuquerque Bernalillo
9 County Water Utility Authority Joint Water and Sewer System Refunding and
10 Improvement Revenue Bonds," in one or more series.

11 The Bonds shall be issued in the aggregate principal amount not to exceed
12 \$200,000,000, with Bond proceeds to be used to refund the Refunded Bonds and
13 finance the Project including related Expenses and reserves and the reimbursement
14 of the Authority for amounts (other than proceeds of bonds) previously advanced by
15 the Authority to pay costs of the Project

16 (B) DETAILS OF THE BONDS.

17 (1) General. The Bonds shall be issued as fully registered
18 bonds in one or more series in Authorized Denominations and numbered with such
19 prefixes or other distinguishing designations as the Registrar may determine
20 necessary or appropriate. The Bonds shall be dated as of the date of delivery. The
21 Series 2006 Bonds shall have such principal amounts, maturity dates and bear
22 interest , payable on the Interest Payment Date as set forth in the Sale Resolution.

23 Additional series of the Bonds shall have such principal amounts, maturity
24 dates and bear interest, payable on the Interest Payment Date as provided in the
25 Sale Resolution.

26 The Bonds shall bear interest from the most recent date to which interest has
27 been paid or provided for or if no interest has been paid or provided for from a date
28 of the Bonds until maturity or until redeemed if called for redemption prior to
29 maturity. Interest on Bonds will be computed on the basis of a 360-day year
30 consisting of twelve 30-day months. If, upon presentation at maturity or for prior
31 redemption, payment of the principal amount of any Bond is not made as required

1 by this Bond Ordinance, interest on the unpaid principal amount of such Bond shall
2 continue to accrue at the interest rate stated or described in that Bond until the
3 principal amount of that Bond is paid in full.

4 The maximum interest rate and net effective interest rate on the
5 Bonds shall be 12% per annum.

6 (2) Priority on the Net Revenues. The Bonds shall be issued
7 with a lien on the Net Revenues on a parity with the lien of the Parity Obligations on
8 the Net Revenues.

9 (C) BOOK-ENTRY. The Bonds shall be issued or registered in
10 book entry form with no physical distribution of bond certificates made to the public,
11 with a Depository acting as securities depository for the Bonds. A single certificate
12 for each maturity of the Bonds will be delivered to the Depository and immobilized
13 in its custody. The book-entry system will evidence ownership of the Bonds in
14 Authorized Denominations, with transfer of ownership effected on the books of the
15 Depository and its participants ("Participants"). As a condition to delivery of the
16 Bonds, the Purchasers will, immediately after acceptance of delivery thereof,
17 deposit, or cause to be deposited, Bond certificates with the Depository, registered
18 in the name of the Depository or its nominee. Principal of, premium, if any, and
19 interest will be paid to the Depository or its nominee as the registered Owner of the
20 Bonds. The transfer of principal and interest payments to Participants will be the
21 responsibility of the Depository; the transfer of principal, and interest payments to
22 the beneficial owners of the Bonds (the "Beneficial Owners") will be the
23 responsibility of such Participants and other nominees of Beneficial Owners
24 maintaining a relationship with Participants (the "Indirect Participants"). The
25 Authority will not be responsible or liable for maintaining, supervising or reviewing
26 the records maintained by the Depository, Participants or Indirect Participants.

27 If (i) the Bonds are not eligible for the services of the Depository, (ii) the
28 Depository determines to discontinue providing its services or (iii) the Authority
29 determines that a continuation of the system of book-entry transfers through the
30 Depository ceases to be beneficial to the Authority or the Beneficial Owners, the
31 Authority will either identify another Depository or certificates will be delivered to

1 Beneficial Owners or their nominees and the Beneficial Owners or their nominees,
2 upon authentication of Bonds and registration of the Bonds in the Beneficial Owners'
3 or nominees' names, will become the Owners for all purposes. In either such event,
4 the Authority shall mail an appropriate notice to the Depository for notification to
5 Participants, Indirect Participants and Beneficial Owners of the substitute
6 Depository or the issuance of bond certificates to Beneficial Owners or their
7 nominees, as applicable.

8 Authorized Officers are authorized to sign agreements with Depositories
9 relating to the matters set forth in this Section.

10 Notwithstanding any other provision of the Bond Legislation to the contrary,
11 so long as all the Bonds are registered in the name of the Depository or its nominee,
12 all payments with respect to principal of, redemption premium, if any, and interest
13 on the Bonds, and all notices, shall be made and given by the Paying Agent or the
14 Authority to the Depository as provided in the Bond Legislation and by the
15 Depository to its Participants and by the Participants or Indirect Participants to the
16 Beneficial Owners.

17 (D) PAYMENT OF THE BONDS. The principal of and premium, if
18 any, on the Bonds shall be payable upon presentation and surrender of the Bonds
19 at the principal office of the Paying Agent at or after their maturity or prior
20 redemption dates. Interest on the Bonds shall be payable by check or draft mailed
21 to the owners (or by such other arrangement as may be mutually agreed to by the
22 Paying Agent and an Owner). However, an Owner of Bonds of a principal amount
23 of \$1,000,000 or more may request interest payments on those Bonds to be
24 deposited in immediately available funds to the account of that Owner maintained
25 with the Paying Agent or transmitted by wire transfer to an account of the Owner
26 maintained with a commercial bank located within the United States of America, if
27 the Owner provides deposit or transfer instructions to the Paying Agent not less than
28 five Business Days prior to the applicable Record Date. The Owner shall be
29 deemed to be that person or entity shown on the registration books for the Bonds
30 maintained by the Registrar at the address appearing in the registration books at the
31 close of business on the applicable Record Date. Interest which is not timely paid

1 or provided for shall cease to be payable to the Owner of the applicable Bonds (or
2 of one or more predecessor Bonds) as of the Record Date, but shall be payable to
3 the Owners of those Bonds (or of one or more predecessor Bonds) at the close of
4 business on a special record date for the payment of the overdue interest. The
5 special record date shall be fixed by the Paying Agent and Registrar whenever
6 money becomes available for payment of the overdue interest and notice of the
7 special record date shall be given to the Owners of the Bonds not less than ten days
8 prior to that date. Payment shall be made in the coin or currency of the United
9 States of America that is at the time of payment legal tender for the payment of
10 public and private debts. If the principal amount of any Bond presented for payment
11 remains unpaid at maturity, the unpaid principal shall bear interest at the rate
12 designated in that Bond. Payments of Bonds shall be made without deduction for
13 exchange or collection charges.

14 The Authority shall transfer, or cause to be transferred, funds to the Paying
15 Agent on a timely basis so that the Paying Agent may make payments of the
16 principal of, premium, if any, and interest on the Bonds, when due, to the Owners
17 and comply with the requirements of any Credit Source. The Authority shall notify
18 the Paying Agent if there is or will be an insufficient amount of money of the
19 Authority legally available to pay principal and interest on the Bonds when due.

20 Section 8. APPOINTMENT OF PAYING AGENT AND REGISTRAR. The
21 City Treasurer is appointed as the initial Paying Agent and Registrar. The Paying
22 Agent, Authenticating Agent and Registrar shall be the same Person.

23 Section 9. REDEMPTION OF BONDS.

24 (A) GENERAL. The Bonds are subject to optional and mandatory
25 sinking fund redemption, in whole or in part, upon the conditions, on the dates and
26 upon payment of the redemption prices set forth in the Sale Resolution.

27 (B) REDEMPTION CONDITIONAL. Unless money sufficient to pay
28 the principal of and premium, if any, on the Bonds to be redeemed at the option of
29 the Authority is received by the Paying Agent prior to the giving of notice of
30 redemption in accordance with Section 9.(E), that notice shall state that the
31 redemption is conditional upon the receipt of that money by the Paying Agent by

1 2:00 p.m. on the redemption date. If an amount sufficient to redeem all Bonds
2 called for redemption is not received by that time (i) the Paying Agent shall redeem
3 only those Bonds for which the redemption price was received and the Bonds to be
4 redeemed shall be selected in the manner set forth in Section 9.(D) and (ii) the
5 redemption notice shall have no effect with respect to those Bonds for which the
6 redemption price was not received and those Bonds shall not be redeemed. The
7 Registrar shall give notice to the Owners of the Bonds which will not be redeemed
8 in the manner in which the notice of redemption was given, identifying the Bonds
9 which will not be redeemed, stating that the redemption did not take place with
10 respect to those Bonds and the Registrar shall promptly return those Bonds to the
11 Owners thereof as shown on the Bonds register.

12 (C) CANCELLATION AND CREDIT. At its option, to be exercised
13 on or before the 45th day next preceding any mandatory sinking fund redemption
14 date, the Authority may irrevocably elect to (a) deliver to the Paying Agent for
15 cancellation Bonds of the same series, interest rate and maturity in any aggregate
16 principal amount and/or (b) receive a credit in respect of its sinking fund redemption
17 obligation for any Bonds of the same series, interest rate and maturity which, prior
18 to said date, have been redeemed (otherwise than through the operation of the
19 sinking fund) and canceled by the Paying Agent and not theretofore applied as a
20 credit against any sinking fund redemption obligation. Each Bond delivered or
21 previously redeemed shall be credited by the Paying Agent as directed by the
22 Authority at the principal amount thereof in Authorized Denominations against the
23 amounts required to be paid by the Authority on the designated mandatory sinking
24 fund redemption date and the principal amount of Bonds to be redeemed by
25 operation of such sinking fund on such date shall be reduced by that principal
26 amount.

27 (D) PARTIAL REDEMPTION. If less than all of the Bonds subject
28 to redemption are to be redeemed at any one time, the Bonds to be redeemed, shall
29 be selected by the Registrar in the manner and from the maturities designated by
30 the Authority. If less than all of the Bonds of a given maturity are redeemed, the
31 Bonds to be redeemed within that maturity shall be selected by lot in such manner

1 as determined by the Registrar. Part of a Bond may be redeemed in an Authorized
2 Denomination if the amount of that Bond which remains outstanding is also in an
3 Authorized Denomination.

4 (E) NOTICE OF REDEMPTION. Notice of redemption of Bonds
5 shall be given by the Registrar by sending a copy of such notice by registered or
6 certified first-class, postage prepaid mail not less than 30 days prior to the
7 redemption date to the Owner of each Bond, or portion thereof, to be redeemed at
8 the address shown as of the fifth day prior to the mailing of notice on the registration
9 books kept by the Registrar and to the Credit Source; provided that prior to the
10 Registrar giving any notice of redemption while a Credit Facility is in effect, the
11 Paying Agent shall have on deposit the redemption price (including principal, interest
12 and redemption premium, if any) for the Bonds to be redeemed. The Authority shall
13 give the Registrar notice of Bonds to be called for optional redemption at least
14 fifteen (15) days prior to the date that the Registrar is required to give Owners notice
15 of redemption specifying the Bonds or the principal amount thereof to be called for
16 redemption and the applicable redemption date. If the Authority has not designated
17 the Bonds to be called for redemption on the dates specified above, the Registrar
18 shall select the Bonds to be redeemed by lot. Neither the Authority's failure to give
19 such notice, the Registrar's failure to give such notice to the registered Owner of any
20 Bonds or to any Credit Source, or any defect thereon, nor the failure of the
21 Depository to notify a Participant or any Participant or Indirect Participant to notify
22 a Beneficial Owner of any such redemption, shall affect the validity of the
23 proceedings for the redemption of any Bonds for which proper notice was given.

24 Notices shall specify the numbers, CUSIP numbers and maturity date or
25 dates of the Bonds to be redeemed (if less than all Bonds are to be redeemed), the
26 date of or principal amounts of any Bonds to be redeemed in part, the date fixed for
27 redemption, and shall further state that, subject to the terms of Section 9.(B), if
28 applicable, on such redemption date there will become and be due and payable
29 upon each Bond or part thereof to be redeemed at the office of the Paying Agent the
30 principal amount thereof to be redeemed plus accrued interest, if any, to the
31 redemption date and the stipulated premium, if any, and that from and after such

1 date, interest will cease to accrue on those Bonds. In addition to the foregoing
2 notice, the notice of redemption given by the Registrar shall include such additional
3 information, and the Registrar shall comply with any other terms regarding
4 redemption, as are required by any applicable agreement with a Depository.

5 Notice having been given in the manner provided above, subject to the terms
6 of Section 9.(B), the Bonds or part thereof called for redemption shall become due
7 and payable on the redemption date designated and the Bonds or part thereof to be
8 redeemed, for which there was sufficient money on deposit with the Paying Agent,
9 shall not be deemed to be Outstanding and shall cease to bear or accrue interest
10 from and after such redemption date. Upon presentation of a Bond to be redeemed
11 at the office of the Paying Agent on or after the redemption date or, so long as the
12 book-entry system is used for determining beneficial ownership of Bonds, upon
13 satisfaction of the terms of any other arrangement between the Paying Agent and
14 the Depository, the Paying Agent will pay such Bond, or portion thereof called for
15 redemption.

16 The Registrar shall also send a copy of the notice of redemption by certified
17 mail or by overnight delivery to each Depository. Failure to provide notice to any
18 Depository shall not affect the validity of proceedings for the redemption of Bonds.

19 (F) CANCELLATION. All Bonds which have been redeemed or
20 received for transfer shall be canceled and destroyed by the Paying Agent and shall
21 not be reissued and a counterpart of the certificate of destruction shall be furnished
22 by the Paying Agent to the Authority.

23 Section 10. REGISTRATION, TRANSFER, EXCHANGE AND
24 OWNERSHIP OF BONDS.

25 (A) REGISTRATION AND EXCHANGE. The Authority shall cause
26 books for registration, transfer and exchange of the Bonds to be kept at the
27 principal office of the Registrar. Upon surrender for transfer or exchange of any
28 Bonds at the principal office of the Registrar duly endorsed by the Owner or his
29 attorney duly authorized in writing, or accompanied by a written instrument or
30 instruments of transfer or exchange in form satisfactory to the Registrar and properly
31 executed, the Authority shall execute and the Registrar shall authenticate and

1 deliver in the name of the transferee or Owner replacement Bonds of the same
2 maturity, interest rate and aggregate principal amount in Authorized Denominations.

3 (B) OWNERS OF BONDS. The person in whose name any Bond
4 is registered shall be deemed and regarded as its absolute Owner for all purposes,
5 except as may otherwise be provided with respect to the payment of interest on the
6 Bonds in Section 7.(D). Payment of either the principal of or interest on any Bond
7 shall be made only to or upon the order of its owner or his legal representative. All
8 such payments shall be valid and effectual to satisfy and discharge the liability on
9 Bonds to the extent of the amount paid.

10 (C) LOST BONDS. If any Bond is lost, stolen, destroyed or
11 mutilated, the Registrar shall, upon receipt of that certificate, if mutilated, and the
12 evidence, information or indemnity which the Registrar may reasonably require,
13 authenticate and deliver a replacement Bond of the same aggregate principal
14 amount, maturity and interest rate, bearing a number or numbers not then
15 outstanding. If any lost, stolen, destroyed or mutilated Bond has matured or been
16 called for redemption, the Registrar may direct the Paying Agent to pay that Bond
17 in lieu of replacement.

18 (D) CHARGES TO OWNERS. Exchanges and transfers of Bonds
19 shall be made without charge to the Owner or any transferee except that the
20 Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee
21 or other governmental charge required to be paid with respect to that transfer or
22 exchange.

23 (E) LIMITATIONS ON TRANSFER. Except for any Bond which
24 may be and is tendered for purchase, the Registrar shall not be required to transfer
25 or exchange (a) any Bond during the five-day period preceding the mailing of notice
26 calling Bonds, as applicable, for redemption and (b) any Bond called for redemption.

27 Section 11. FILING OF SIGNATURES. Prior to the execution of any Bond
28 pursuant to Sections 6-9-1 to 6-9-6 NMSA 1978, as amended, the Chair, the Vice
29 Chair, the Executive Director and the Secretary of the Authority shall each file with
30 the New Mexico Secretary of State his or her manual signature certified by him or
31 her under oath; provided that filing shall not be necessary for any officer where any

1 previous filing may have legal application to the Bonds.

2 Section 12. EXECUTION AND CUSTODY OF BONDS.

3 (A) EXECUTION. The Bonds shall be signed with the facsimile of
4 the signature, or the manual signature, of the Chair and the manual or facsimile
5 signature of the Secretary of the Authority. There shall be placed on each Bond the
6 printed, engraved, stamped or otherwise placed facsimile or imprint of the
7 Authority's corporate seal. Bonds when authenticated and bearing the manual or
8 facsimile signatures of the officers in office at the time of their signing shall be valid
9 and binding obligations of the Authority, notwithstanding that before delivery of those
10 Bonds, any or all of the persons who executed those Bonds shall have ceased to
11 fill their respective offices. The Chair, Vice Chair, Executive Director and Board
12 Secretary, at the time of the execution of the Bonds and the signature certificate,
13 each may adopt as and for his or her own facsimile signature, the facsimile
14 signature of his or her predecessor in office if such facsimile signature appears
15 upon any of the Bonds or certificates pertaining to the Bonds. No manual or
16 facsimile signature of an officer of the Authority or an Authenticating Agent shall be
17 required if the Bonds are issued in book-entry form without the delivery of any
18 physical securities.

19 (B) CUSTODY. The Authenticating Agent or its designee shall hold
20 in custody all Bonds signed and attested by the Chair, Vice Chair and Executive
21 Director or Board Secretary until ready for delivery to the purchaser, transferee or
22 Owner. The Authority shall, from time to time, at the written request of the
23 Authenticating Agent, provide the Authenticating Agent an adequate supply of
24 Bonds.

25 (C) AUTHENTICATION. No Bond shall be valid or obligatory for
26 any purpose unless the certificate of authentication has been duly executed by the
27 Authenticating Agent. The Authenticating Agent's certificate of authentication shall
28 be deemed to have been duly executed if manually signed by an Authorized Officer
29 of the Authenticating Agent, but it shall not be necessary that the same officer sign
30 the certificate of authentication on all Bonds.

31 Section 13. NEGOTIABILITY; PREFERENCE. Except as otherwise stated

1 in this Bond Ordinance and the Sale Resolution, Bonds shall be fully negotiable and
2 shall have all the qualities of negotiable paper and the Owners shall possess all
3 rights enjoyed by the holders of negotiable instruments under the provisions of the
4 State's Uniform Commercial Code -- Investment Securities. All Bonds shall in all
5 respects, as to each other, be equally and ratably secure, without preference,
6 priority or distinction on account of the dates or the actual times of the issuance or
7 maturities.

8 Section 14. SPECIAL LIMITED OBLIGATIONS. All of the Bonds and all
9 payments of principal of, premium, if any, and interest on Bonds, and the fees,
10 costs, expenses and other obligations of the Authority under the Bond Legislation,
11 the Continuing Disclosure Certificate or any Credit Facility, together with the interest
12 accruing thereon, shall be special limited obligations of the Authority and shall be
13 payable, collectible or reimbursable solely from the Net Revenues, Bond proceeds,
14 the earnings thereon and, if Bond Insurance Policies are issued for the payment of
15 the Bonds, from the proceeds of the policy. The Owners, any Credit Source and
16 obligees under the Bond Legislation or any Credit Facility may not look to any
17 general or other municipal fund for the payment of the principal of, premium, if any,
18 or interest on such obligations or such fees, costs and expenses, except the
19 designated special funds specifically pledged for the Bonds as set forth in or
20 permitted by this Section. Neither the Bonds, the Bond Legislation, Continuing
21 Disclosure Certificate or any Credit Facility nor such costs, fees and expenses of the
22 Authority shall constitute an indebtedness of the Authority within the meaning of any
23 constitutional, charter or statutory provision or limitation, nor shall they be
24 considered or held to be general obligations of the Authority, and each Bond shall
25 recite that it is payable and collectible solely with the Net Revenues, the proceeds
26 of the Bonds, and, if a Bond Insurance Policy is issued for the payment of the
27 Bonds, from the proceeds of that policy and that the Owners may not look to any
28 general or other municipal fund for the payment of the principal of, premium, if any,
29 or interest on the Bonds.

30 . SALE OF BONDS. The Bonds shall be sold in accordance with the
31 Bond Purchase Agreement at a negotiated sale to the Purchasers. The Bonds shall

1 be sold at an underwriter's discount, including expenses and fees of the Purchasers,
2 not to exceed 2.0% of the total original principal amount of the Bonds plus costs,
3 expenses and accrued interest thereon, if any. After the Bonds have been duly
4 executed and authenticated and upon receipt of the purchase price therefor, the
5 Bonds shall be delivered to the Purchasers by an Authorized Officer in accordance
6 with the Bond Purchase Agreement.

7 Section 16. FORM OF BONDS. The form of the Bonds shall be
8 substantially as set forth herein, with such terms and provisions as are not
9 inconsistent with this Bond Ordinance.

10 [Form of Bond]

11 **UNITED STATES OF AMERICA**

STATE OF NEW MEXICO

12 AS PROVIDED IN THE BOND ORDINANCE REFERRED TO HEREIN,
13 UNTIL THE TERMINATION OF REGISTERED OWNERSHIP OF ALL OF THE
14 BONDS THROUGH THE DEPOSITORY TRUST COMPANY (TOGETHER WITH
15 ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO
16 THE RESOLUTION, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION
17 OF THE BOND ORDINANCE TO THE CONTRARY, THE PRINCIPAL AMOUNT
18 OUTSTANDING UNDER THIS BOND MAY BE PAID OR REDEEMED WITHOUT
19 SURRENDER HEREOF TO THE REGISTRAR. DTC OR A TRANSFEREE OR
20 ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL
21 AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF
22 OUTSTANDING AND TO BE PAID. THE PRINCIPAL AMOUNT OUTSTANDING
23 AND TO BE PAID ON THIS BOND SHALL FOR ALL PURPOSES BE THE
24 AMOUNT INDICATED ON THE BOOKS OF THE REGISTRAR.

25 UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED
26 REPRESENTATIVE OF DTC TO THE REGISTRAR FOR REGISTRATION OF
27 TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS
28 REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS
29 REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY
30 PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER
31 USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSONS IS

1 WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN
2 INTEREST HEREIN.

3 **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

4 **JOINT WATER AND SEWER SYSTEM REFUNDING AND**

5 **IMPROVEMENT REVENUE BONDS**

6 **SERIES _____**

7 **Bond No. R-_____ \$_____**

8
9
10 **INTEREST RATE MATURITY DATE DATE OF BOND CUSIP**
11
12 _____% per annum _____, 20_____, 20_____
13

14 The Albuquerque Bernalillo County Water Utility Authority (the "Authority"),
15 a legally and regularly created, established, organized and existing municipal utility
16 under the general laws of the State, for value received, hereby promises to pay,
17 solely from the special funds available for the purpose as hereinafter set forth, to
18 Cede & Co. or registered assigns, no later than the Maturity Date stated above
19 (unless this bond is called for prior redemption, in which case on such redemption
20 date), upon presentation and surrender hereof at the principal office of the City
21 Treasurer as paying agent, or any successor paying agent (the "Paying Agent"), the
22 sum of _____ DOLLARS (\$_____) and to pay from said sources interest
23 on the unpaid principal amount at the Interest Rate stated above on _____, 20_____,
24 and on _____ and _____ of each year (each an "Interest Payment Date") thereafter
25 to its maturity, or until redeemed if called for redemption prior to maturity. This bond
26 will bear interest from the most recent date to which interest has been paid or
27 provided for or, if no interest has been paid or provided for, from its date. Interest
28 on this bond is payable by check mailed to the registered owner hereof (or by such
29 other arrangement as may be mutually agreed to by the Paying Agent and the
30 registered owner) as shown on the registration books for this issue maintained by
31 the City Treasurer as registrar, or any successor registrar (the "Registrar") at the

1 address appearing therein at the close of business on the fifteenth day of the
2 calendar month next preceding the Interest Payment Date (the "Record Date"). Any
3 interest which is not timely paid or duly provided for shall cease to be payable to the
4 owner hereof as of the Record Date but shall be payable to the owner hereof at the
5 close of business on a special record date to be fixed by the Paying Agent for the
6 payment of interest. The special record date shall be fixed by the Paying Agent
7 whenever moneys become available for payment of the overdue interest, and notice
8 of the special record date shall be given to owner of the Bonds (defined below) as
9 then shown on the Registrar's registration books not less than ten days prior to the
10 special record date. If, upon presentation at maturity or redemption, payment of this
11 bond is not made as herein provided, interest hereon shall continue at the Interest
12 Rate stated above until the principal hereof is paid in full. The principal, premium,
13 if any, and interest on this bond are payable in lawful money of the United States of
14 America, without deduction for the services of the Paying Agent or the Registrar.

15 This bond is one of a duly authorized issue of fully registered bonds of the
16 Authority in the aggregate principal amount of \$_____, issued in denominations of
17 \$5,000 or integral multiples thereof, designated as Albuquerque Bernalillo County
18 Water Utility Authority Joint Water and Sewer System Refunding and Improvement
19 Revenue Bonds, Series 200_ (the "Bonds"), issued under and pursuant to
20 Ordinance No. O-06-___ dated April 19, 2006 (the "Bond Ordinance").

21 The Bonds are subject to prior redemption as more particularly described
22 below:

23 Optional Redemption. Bonds maturing on and after _____, 20__ are subject
24 to redemption, in whole or in part, at the option of the Authority, prior to their
25 respective maturities on or after _____, 20__ at a price equal to the unpaid principal
26 balance of the Bonds redeemed, plus accrued interest to the date of redemption.

27 Mandatory Redemption. Term Bonds maturing _____, 20__ are subject
28 to mandatory redemption on _____ in the years and in the amounts set forth below:

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Maturity Date	Principal
(_____ 1)	<u>Amount</u>

*Final Maturity

Notice of redemption of this bond, except mandatory sinking fund redemptions for which no notice will be given, will be given by providing at least 30 days prior written notice by registered or certified first-class mail, postage prepaid, to the owner hereof or portion hereof to be redeemed at the address shown on the registration book as of the fifth day prior to the mailing of notice as provided in this Bond Ordinance. Notice of redemption will specify the amount being redeemed, and shall further state that on such redemption date there will become and be due and payable upon each Bond to be redeemed at the office of the Paying Agent the principal amount thereof plus accrued interest to the redemption date and the stipulated premium, if any, and that from and after such date, the redemption amount having been deposited and notice having been given, interest will cease to accrue.

Books for the registration and transfer of the Bonds shall be kept by the Registrar. Upon the surrender for transfer or exchange of this bond at the principal office of the Registrar, duly endorsed or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the Registrar shall authenticate and deliver, not more than three (3) business days after receipt of the Bond or Bonds to be transferred, in the name of the transferee or owner a new Bond or Bonds in fully registered form of the same aggregate principal amount, maturity and interest rate. Exchanges and transfers of the Bonds shall be without charge to the owner or any transferee, but the Registrar may require the payment by the owner of any Bonds of any tax or other similar governmental charge required to be paid with respect to such exchange or transfer. The Registrar shall not be required (i) to transfer or exchange any Bond during the period of fifteen days

1 next preceding the mailing of notice calling any Bond for redemption, or (ii) to
2 transfer or exchange any Bond or part thereof called for redemption. The Registrar
3 will close books for change of registered owners' addresses on each Record Date;
4 transfers will be permitted within the period from each Record Date to each interest
5 payment date, but such transfers shall not include a transfer of accrued interest
6 payable.

7 The person in whose name any Bond is registered on the registration books
8 kept by the Registrar shall be deemed and regarded as the absolute owner thereof
9 for the purpose of making payment thereof and for all other purposes except as may
10 otherwise be provided with respect to payment of overdue interest in this Bond
11 Ordinance; and payment of or on account of either principal or interest on any Bond
12 shall be made only to or upon the written order of the registered owner thereof or his
13 legal representative. All such payments shall be valid and effectual to discharge the
14 liability upon such Bond to the extent of the sum or sums so paid.

15 If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar will,
16 upon receipt of such Bond, if mutilated, and such evidence, information or indemnity
17 relating thereto as the Registrar may reasonably require, if lost, stolen or destroyed,
18 authenticate and deliver a replacement Bond or Bonds of a like aggregate principal
19 amount and of the same maturity and interest rate, bearing a number or numbers
20 not contemporaneously outstanding. If such lost, stolen, destroyed or mutilated
21 Bond shall have matured or have been called for redemption, the Registrar may
22 direct the Paying Agent to pay such Bond in lieu of replacement.

23 This bond does not constitute an indebtedness of the Authority within the
24 meaning of any constitutional or statutory provision or limitation, shall not be
25 considered or held to be a general obligation of the Authority, and is payable and
26 collectible solely from the Net Revenues (as defined in the Bond Ordinance), and
27 the bondholders may not look to any general or other Authority fund other than
28 those described above for the payment of the interest and principal of this bond.
29 Additional bonds may be issued and made payable from the Net Revenues upon
30 satisfaction of the conditions set forth in the Bond Ordinance, having a lien thereon
31 either on a parity with, or subordinate and junior to, the lien on the Net Revenues,

1 but additional bonds may not be issued with a lien thereon superior to the lien
2 thereon of the Bonds.

3 The Bonds are issued to provide funds for regular system improvements,
4 expansion, maintenance and upgrades to operate a water and wastewater utility
5 pursuant to the Basic Capital Program, diversion of surface water from the San Juan
6 Chama and delivering it for use by current and future users of the System
7 development of the Valley Utilities Project, extension of the System into broader
8 service areas and refunding the Refunded Bonds, .

9 The Authority covenants and agrees with the owner of this bond and with
10 each and every person who may become the owner hereof that it will keep and
11 perform all of the covenants of this Bond Ordinance.

12 This bond is subject to the condition, and every owner hereof by accepting
13 the same agrees with the obligor and every subsequent owner hereof, that the
14 principal of and interest on this bond shall be paid, and this bond is transferable, free
15 from and without regard to any equities, set-offs or crossclaims between the obligor
16 and the original or any other owner hereof.

17 It is hereby certified that all acts and conditions necessary to be done or
18 performed by the Authority or to have happened precedent to and in the issuance
19 of the Bonds to make them legal, valid and binding special obligations of the
20 Authority, have been performed and have happened as required by law, and that the
21 Bonds do not exceed or violate any constitutional or statutory limitation of or
22 pertaining to the Authority.

23 This bond shall not be valid or obligatory for any purpose until the Registrar
24 shall have manually signed the Certificate of Authentication of this bond.

25 **IN WITNESS WHEREOF**, the Authority has caused this bond to be signed
26 and executed on the Authority's behalf with the manual or facsimile signature of the
27 Chair of the Board, to be countersigned with the manual or facsimile signature of the
28 Secretary and has caused a facsimile of the corporate seal of the Authority to be
29 affixed hereon, all as of the Date of Bond.

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**ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY**

By _____
Chair

[SEAL]

ATTEST:

By _____
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the Bond Ordinance, and this bond has been registered on the registration books kept by the undersigned as Registrar for the Bonds.

CITY TREASURER, AS REGISTRAR

Dated: _____ **By** _____
Authorized Signature

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____
(Social Security or Federal Taxpayer Identification Number)

(Please print or typewrite Name and Address, including Zip Code, of Assignee)

1 the within bond and all rights thereunder, and hereby irrevocably constitutes
2 and appoints the Registrar under the Indenture as Attorney to register the transfer
3 of the within bond on the books kept for registration thereof, with full power of
4 substitution in the premises.

5
6 Dated: _____

7 NOTICE: The signature of the
8 registered owner to this assignment must
9 correspond with the name as it appears
10 on the face of the within bond in every
11 particular, without alteration or
12 enlargement or any change whatsoever.

13 Signature guaranteed by:

14 _____
15 NOTICE: Signature
16 guarantee should be made by a
17 guarantor institution participating in
18 the Securities Transfer Agents
19 Medallion Program or in such other
20 guarantee program acceptable to
21 the Trustee.

22
23 [END OF FORM OF BOND]
24

25 Section 17. PERIOD OF SYSTEM'S USEFULNESS. The period of
26 usefulness of the System is in excess of the final maturity date of the Bonds.

27 Section 18. USE OF PROCEEDS; PROJECT COMPLETION;
28 PURCHASER NOT RESPONSIBLE.

29 (A) PROCEEDS; PROJECT COMPLETION; APPROPRIATIONS.

30 (1) Proceeds from the sale of the Bonds shall be deposited
31 as follows:

1 (a) The proceeds of the Series 2006 Bonds
2 designated for the payment of interest may be deposited in the Series 2006 Bonds
3 Debt Service Account.

4 (b) The Authority shall establish a Refunding Account
5 into which it shall deposit an amount sufficient to pay the outstanding principal,
6 interest and premium, if any, of the Refunded Bonds.

7 (c) Proceeds of the Series 2006 Bonds may be used
8 to pay Expenses.

9 (d) The remaining proceeds of the Series 2006 Bonds
10 will be deposited in the Acquisition Fund.

11 (e) Proceeds of additional series of the Bonds shall
12 be deposited as provided in a Sale Resolution.

13 (f) The Completion Date for the Project shall be
14 evidenced by a certificate signed by the Executive Director of the Authority or other
15 Authorized Officer responsible for the System stating that the Project has been
16 completed. As soon as practicable, and in any event not more than 60 days after
17 the Completion Date of the Project, any balance remaining in the Acquisition
18 Account (other than any amount retained by the Authority for costs of the Project not
19 then due and payable) shall be used by the Authority for the payment of the principal
20 of or interest next coming due on the Bonds.

21 (B) APPROPRIATIONS. The proceeds from the sale of the Bonds
22 and other money of the Authority available to finance the Project, if any, shall be
23 appropriated and deposited as set forth in the Sale Resolution.

24 (C) PURCHASER NOT RESPONSIBLE. The Purchasers shall not
25 be responsible for the application or use by the Authority of the proceeds of Bonds.

26 Section 19. APPROVAL AND USE OF DOCUMENTS.

27 (A) APPROVAL OF DOCUMENTS. The forms of the Preliminary
28 Official Statement and Continuing Disclosure Certificate are hereby approved. The
29 Chair or other Authorized Officer is authorized to execute, and the Board Secretary
30 is authorized and directed to affix the seal of the Authority to and attest, as
31 applicable, the Official Statement, the Bond Purchase Agreement and the

1 Continuing Disclosure Certificate in substantially the forms presented to the Board,
2 with such changes as are not inconsistent with the terms of the Bond Legislation and
3 as are approved by the Chair or other Authorized Officer, his execution or
4 acceptance of delivery thereof to constitute conclusive evidence of his approval of
5 any and all changes or revisions from the form of any document now or hereafter
6 before the Board. Any changes in any such document inconsistent with the terms
7 of the Bond Legislation shall be approved by the Board by subsequent ordinance
8 or resolution of the Board. The officers, agents and employees of the Authority are
9 authorized, empowered and directed to do all such acts and things and to execute
10 all such documents as may be necessary to carry out and comply with the
11 provisions of the Official Statement, the Bond Purchase Agreement and the
12 Continuing Disclosure Certificate.

13 (B) DISCLOSURE DOCUMENT. The use and distribution of the
14 Preliminary Official Statement and the Official Statement (with terms which are not
15 inconsistent with the Bond Legislation) by the Purchasers in connection with the sale
16 and issuance of the Bonds are hereby ratified and approved.

17 (C) INSURANCE DOCUMENTS. The Chair or other Authorized
18 Officer is authorized to enter into, execute and deliver any documents relating to,
19 a Bond Insurance Policy or a Reserve Fund Surety Bond, or both, including a
20 financial guaranty agreement, if any, with terms which are not inconsistent with the
21 Bond Legislation.

22 (D) FURTHER ACTS. The officers, agents and employees of the
23 Authority are hereby authorized and empowered to do all acts and things and to
24 execute all documents, including separate agreements with the Paying Agent and
25 Registrar, if necessary, to carry out and comply with the provisions of the Bond
26 Legislation and the Bond Documents.

27 Section 20. FUNDS AND ACCOUNTS.

28 (A) REFUNDING ACCOUNT. The Authority shall the maintain the
29 Refunding Account until the Refunded Bonds have been fully paid.

30 (B) JOINT WATER AND SEWER FUND. The Authority shall
31 continue the Joint Water and Sewer Fund as a separate, distinct and segregated

1 fund. As long as the Bonds are outstanding, all Gross Revenues shall continue to
2 be set aside and credited to the Joint Water and Sewer Fund.

3 (C) ACQUISITION FUND. The Authority shall continue the
4 Acquisition Fund as a separate, distinct and segregated fund. The Authority shall
5 establish the Series 2006 Bonds Acquisition Account as a separate account in the
6 Acquisition Fund for the portion of Series 2006 Bond proceeds which finance the
7 Project and the Authority may establish separate subaccounts in that Fund for the
8 payment of Project costs and capitalized interest, if any, and for other purposes
9 permitted by this Bond Ordinance.

10 (D) DEBT SERVICE FUND. The Authority shall continue the Debt
11 Service Fund as a separate, distinct and segregated fund for the deposit of Net
12 Revenues for the payment of System Obligations. The Authority has established
13 and shall continue the Expense Account as part of the Debt Service Fund. Money
14 on deposit or credited to the Expense Account shall be used for the purpose of
15 payment of that part of Operation and Maintenance Expenses that are reasonably
16 necessary for the administration of the Debt Service Fund. The Authority shall
17 establish the Series 2006 Debt Service Account as a separate account of the Debt
18 Service Fund and shall establish similar accounts for additional series of Bonds.

19 (E) REPLACEMENT FUND. The Authority shall continue the
20 Replacement Fund as a separate, distinct and segregated fund for the purposes
21 described in Section 21.(F).

22 (F) RATE STABILIZATION FUND. The Authority shall continue the
23 Rate Stabilization Fund as a separate, distinct and segregated fund for the
24 purposes described in Section 21.(G).

25 Section 21. ADMINISTRATION OF JOINT WATER AND SEWER FUND.

26 (A) USE OF GROSS REVENUES. As long as any Bonds are
27 outstanding, all Gross Revenues shall continue to be deposited in the Joint Water
28 and Sewer Fund and transferred from that Fund to the following funds and accounts
29 or for payment of the following amounts in the order listed:

30 (1) OPERATION AND MAINTENANCE EXPENSES. A
31 sufficient amount of Gross Revenues shall be set aside each month to be used to

1 pay the current Operation and Maintenance Expenses as they become due.

2 (2) DEBT SERVICE ACCOUNTS FOR PARITY
3 OBLIGATIONS. Net Revenues shall be transferred to the Debt Service Accounts
4 established for Parity Obligations to pay Debt Service Requirements on Parity
5 Obligations, as they become due, including amounts owed to any Credit Source to
6 reimburse that Credit Source for the payments of Debt Service Requirements on
7 Parity Obligations.

8 (3) RESERVE FUND. Net Revenues shall be transferred
9 to a Reserve Account, if any, to the extent that amounts on deposit in that Reserve
10 Account are less than the amount (including coverage available under any
11 applicable Reserve Account Surety Bond) required to be on deposit therein. The
12 Net Revenues deposited shall be used first to reimburse the Credit Source for the
13 proceeds of a Reserve Account Surety Bond used to pay Debt Service
14 Requirements, second to replace money drawn from the Reserve Account and third
15 to pay to the Credit Source interest accrued and owed on amounts advanced
16 pursuant to the Reserve Account Surety Bond.

17 (4) SUBORDINATED OBLIGATIONS. Net Revenues shall
18 be used to pay Debt Service Requirements on Subordinated Obligations for
19 Subordinated Obligations.

20 (5) REPLACEMENT FUND. At the option of the Authority,
21 Net Revenues may be transferred to the Replacement Fund to be used for the
22 purposes stated in Section 21.(F).

23 (6) RATE STABILIZATION FUND. At the option of the
24 Authority, Net Revenues may be transferred to the Rate Stabilization Fund to be
25 used for the purposes stated in Section 21.(G).

26 (7) SURPLUS NET REVENUES. Net Revenues shall be
27 retained in the Joint Water and Sewer Fund or used for any other lawful System
28 purpose including, but not limited to, redeeming or purchasing System Obligations
29 or paying costs and expenses of the Authority relating to the administration of
30 System Obligations.

31 (8) ACCUMULATION OF REVENUES. Gross Revenues

1 need not be retained for any use or in any fund or account described in this
2 paragraph A in excess of the Gross Revenues required for any current use or
3 deposit. For the purposes of this subparagraph, the term current shall mean the
4 month during which the Net Revenues are being distributed and the immediately
5 following month.

6 (B) SERIES 2006 BONDS DEBT SERVICE ACCOUNT. Net
7 Revenues shall be transferred to the Series 2006 Bonds Debt Service Account
8 sufficient to pay when due the Debt Service Requirements on the Series 2006
9 Bonds.

10 (a) Except as stated in this Section 21.(B) and in
11 Section 21.(D), substantially equal monthly deposits of Net Revenues shall be made
12 to the Series 2006 Bonds Debt Service Account beginning six months before each
13 Interest Payment Date in order to make the next payment of interest on the Bonds
14 when due. However, if the first Interest Payment Date for the Bonds is less than
15 seven months after the date of the original issuance of the Bonds, equal monthly
16 deposits of Net Revenues before the first Interest Payment Date shall begin in the
17 first full month following the date of issuance of the Bonds.

18 (b) Except as stated in this Section 21.(B) and in
19 Section 21.(D), substantially equal monthly deposits of Net Revenues shall be made
20 to the Series 2006 Bonds Debt Service Account beginning 12 months before each
21 principal payment date for the Series 2006 Bonds payable from such account in
22 order to make the next scheduled payment of principal on the Series 2006 Bonds
23 when due at maturity. However, if the first principal payment date for the Series
24 2006 Bonds is less than thirteen months after the date of the original issuance of the
25 Series 2006 Bonds, equal monthly deposits of Net Revenues before the first
26 principal payment date shall begin in the first full month following the date of
27 issuance of the Series 2006 Bonds.

28 If in the month immediately preceding any payment date for the Bonds,
29 the Authority determines that there are not sufficient funds accumulated in the
30 Series 2006 Bonds Debt Service Account to pay the amount becoming due on that
31 payment date, the Authority shall promptly deposit any available Net Revenues in

1 the Series 2006 Bonds Debt Service Account in an amount equal to the deficiency.
2 If, prior to any payment date for the Series 2006 Bonds, there has accumulated in
3 the Series 2006 Bonds Debt Service Account the entire amount necessary to pay
4 the amount becoming due on the Series 2006 Bonds payable from such account on
5 that payment date, no additional Net Revenues need be deposited in the Series
6 2006 Bonds Debt Service Account prior to that payment date. In making the
7 determinations permitted by this paragraph, the Authority may take into account the
8 amount on deposit in any other fund or account or escrow relating to the Bonds
9 irrevocably set aside for the next payment of the Bonds.

10 Amounts on deposit in the Series 2006 Bonds Debt Service Account
11 shall be applied first to the payment of interest and then to pay or satisfy any
12 payment of principal. Except as provided in Section 21.(D), money in the Series
13 2006 Bonds Debt Service Account shall be used only to pay the Debt Service
14 Requirements on the Series 2006 Bonds. Transfers of amounts equal to the
15 periodic Debt Service Requirements on the Series 2006 Bonds shall be made by the
16 Authority on a timely basis to the Paying Agent.

17 For additional series of Bonds, the Authority shall establish debt
18 service accounts and administer such accounts as provided in the Sale Resolution.

19 (C) RESERVE ACCOUNTS. For additional series of Bonds, the
20 Authority may establish Reserve Accounts and administer such accounts as
21 provided in the Sale Resolution.

22 (D) TERMINATION UPON DEPOSITS RELATING TO THE
23 BONDS TO MATURITY. No payments need be made into the Series 2006 Bonds
24 Debt Service Account if the amount in the Series 2006 Bonds Debt Service Account
25 is no less than the Debt Service Requirements due and to become due on and
26 before the final maturity date of the Series 2006 Bonds, both accrued and not
27 accrued, and all proceeds paid under any Credit Facility for the Series 2006 Bonds
28 have been reimbursed. The money retained in that account shall be used only to
29 pay the Debt Service Requirements on the Series 2006 Bonds when due except that
30 any money on deposit in the Series 2006 Bonds Debt Service Account which is not
31 necessary to pay such Debt Service Requirements shall be used as surplus Net

1 Revenues.

2 This subsection shall apply to additional series of Bonds.

3 (E) SUBORDINATED OBLIGATIONS. Net Revenues shall be used
4 as required by the applicable ordinances or resolutions of the Board authorizing the
5 issuance of Subordinated Obligations, the funding of reserves for Subordinated
6 Obligations and for the payment of related Expenses. Subordinated Obligations
7 shall have the order of priority with respect to other Subordinated Obligations as set
8 forth in the City ordinances and the Authority ordinances authorizing the issuance
9 of Subordinated Obligations.

10 (F) REPLACEMENT FUND. In addition to Net Revenues, the
11 Authority shall deposit in the Replacement Fund all money released from a Reserve
12 Account for System Obligations in excess of the reserve requirement for those
13 System Obligations except for any such excess which it designated for another
14 System purpose by resolution or ordinance of the Board.

15 While any System Obligations are outstanding, money on deposit in
16 the Replacement Fund shall be used only (i) for replacement costs and capital
17 improvements to the System, (ii) for extraordinary charges relating to the financing
18 or refinancing of the System and (iii) to purchase or otherwise defease, or provide
19 for the defeasance of, Outstanding System Obligations.

20 (G) RATE STABILIZATION FUND. Money on deposit in the Rate
21 Stabilization Fund may be withdrawn at any time and used for any purpose for which
22 Gross Revenues may be used.

23 (H) PRO RATA DEPOSITS. If the amount of Net Revenues
24 available for deposit in the Debt Service Fund is not sufficient to pay the entire
25 amount required to be deposited in the Debt Service Accounts and/or Reserve
26 Accounts for System Obligations, the Net Revenue available shall be deposited in
27 the Debt Service Accounts and Reserve Accounts pro rata based upon the amount
28 required to be deposited in each account to the total Net Revenues available for
29 deposit but with the priorities established in Section 21.(A).

30 With respect to each applicable series of System Obligations,
31 reimbursements owed to a Credit Source for amounts used to pay Debt Service

1 Requirements on those System Obligations shall be paid on the same pro rata basis
2 and with the same priority as are amounts to be deposited in the Debt Service
3 Account or Reserve Account, as applicable, for those System Obligations; provided
4 that such reimbursements for payments of Debt Service Requirements made
5 pursuant to a Credit Facility pursuant to Sections 21.(C) and (D) shall be made with
6 the priorities set forth in those paragraphs.

7 (I) VARIABLE RATE OBLIGATIONS. In making computations
8 required by this Section, interest on Variable Rate Obligations which cannot be
9 computed exactly shall be deemed to bear the interest rate required by the definition
10 of Debt Service Requirements in this Bond Ordinance. To determine the amount
11 required to be on deposit in any Debt Service Account for the payment of interest,
12 computations of the interest rate on Variable Rate Obligations shall be made
13 whenever there is a change in the interest rate on the applicable Variable Rate
14 Obligations except that the computation need not be made more often than once in
15 any month.

16 Section 22. TRANSFERS TO PAY PRINCIPAL OF, PREMIUM, IF ANY,
17 AND INTEREST ON THE BONDS, PAYMENT OF EXPENSES.

18 (A) TRANSFER TO PAYING AGENT. The Authority shall transfer
19 the funds set aside pursuant to Section 21 for the payments of principal of,
20 premium, if any, and interest on the Bonds to the Paying Agent on or before the date
21 on which each such payment is due.

22 (B) EXPENSES. The Authority or its designee shall pay, or cause
23 to be paid, all Expenses directly to the party entitled thereto.

24 Section 23. GENERAL ADMINISTRATION OF FUNDS. The funds and
25 accounts designated in Sections 20 and 21 shall be administered as follows:

26 (A) INVESTMENT OF MONEY. To the extent practicable, any
27 money in any such fund or account shall be invested in Permitted Investments.
28 Obligations purchased as an investment of money in any fund or account shall be
29 deemed at all times to be part of that fund or account, and the interest accruing and
30 any profit realized on those Investments shall be credited to that fund or account,
31 unless otherwise stated in this Bond Ordinance or related document (subject to

1 withdrawal at any time for the uses directed and permitted for such money by this
2 Bond Ordinance and related documents), and any loss resulting from such
3 investment shall be charged to that fund or account. The custodian for any such
4 fund or account shall present for redemption or sale on the prevailing market any
5 Permitted Investment in a fund or account when necessary to provide money to
6 meet a required payment or when required to be transferred from that fund or
7 account.

8 (B) DEPOSITS OF FUNDS. The money and investments which are
9 part of the funds and accounts designated in Sections 20 and 21 shall be maintained
10 and kept in an Insured Bank or Banks or may be held in book-entry form in the
11 name of the Authority by an agent or custodian of or for the Authority for the benefit
12 of the Authority , as permitted by State law. Each payment or deposit shall be made
13 into and credited to the proper fund or account at the designated time, except that
14 when the designated time is not a Business Day, then the payment shall be made
15 on the next succeeding Business Day unless otherwise required in this Bond
16 Ordinance or related documents. The Authority may establish one or more
17 accounts in Insured Banks for all of the funds and accounts or combine such funds
18 and accounts with any other Insured Bank account or accounts for other funds and
19 accounts of the Authority.

20 (C) VALUATION OF INVESTMENTS. In the computation of the
21 amount in any account or fund for any purpose under this Bond Ordinance, except
22 as otherwise expressly provided in this Bond Ordinance, Permitted Investments
23 shall be valued at the cost thereof (including any amount paid as accrued interest)
24 or the principal amount thereof, whichever is less; except that Permitted Investments
25 purchased at a premium may initially may be valued at the cost thereof, but in each
26 year after such purchase shall be valued at a lesser amount determined by ratably
27 amortizing the premium over the remaining term. Bank deposits shall be valued at
28 the amount deposited, exclusive of any accrued interest or any other gain to the
29 Authority until such gain is realized by the receipt of an interest-earned notice, or
30 otherwise. The valuation of Permitted Investments and bank deposits in any
31 account shall be made not less frequently than annually. No loss or profit on

1 Permitted Investments shall be deemed to take place as a result of fluctuation in the
2 market quotations prior to the sale or maturity thereof.

3 Section 24. BOND INSURANCE, RESERVE ACCOUNT INSURANCE AND
4 CREDIT FACILITY.

5 (A) CREDIT FACILITY FOR PAYMENT OF THE BONDS.
6 Payments of all or any part of the principal of and interest on the Bonds may be
7 guaranteed by a Credit Source as and to the extent set forth in the Credit Facility.

8 (B) CHANGES TO INSURANCE TERMS. Terms and provisions
9 with respect to any Credit Facility for the Bonds, in addition to those set forth in this
10 Bond Ordinance, shall be set forth in the Credit Facility.

11 (C) CONSENT OF CREDIT SOURCE. Any provision of this Bond
12 Ordinance expressly recognizing or granting rights in or to a Credit Source may not
13 be amended in any manner which affects the rights of the Credit Source without the
14 prior written consent of that Credit Source.

15 (D) ADVERSE AFFECT ON OWNERS. In determining whether the
16 rights of the Owners will be adversely affected by any action taken pursuant to the
17 terms and provisions of this Bond Ordinance, the Authority shall consider the effect
18 on such Owner as if there were no Bond Insurance Policy or Reserve Account
19 Surety Bond in effect.

20 (E) CREDIT FACILITY. The rights and obligations of any Credit
21 Source under any Credit Facility shall be as set forth in this Bond Ordinance or
22 Credit Facility but shall not exceed any of the limitations included in this Bond
23 Ordinance. The Authority shall promptly notify any rating agency then rating the
24 Bonds of changes to a Credit Facility.

25 Section 25. PLEDGE OF NET REVENUES AND LIEN OF THE BONDS.
26 The Net Revenues are hereby pledged for the payment of the Bonds, the
27 reimbursement of obligations of the Authority for the proceeds of any Credit Facility
28 used to pay Debt Service Requirements on the Bonds and for the other payment
29 obligations of the Authority set forth in the Bond Legislation and such payments and
30 obligations of the Authority shall continue to have an irrevocable lien upon the Net
31 Revenues until paid. Net Revenues shall be applied to the payment of such

1 payments and obligations with the priorities set forth in Section 21.(A).

2 Section 26. ESTABLISHMENT OF PRIORITIES OF THE BONDS. Except
3 as set forth in this Bond Ordinance, the Bonds, from time to time outstanding shall
4 not be entitled to any priority one over the other in the application of the Net
5 Revenues, regardless of the time or times of their issuance.

6 Section 27. ADDITIONAL SYSTEM OBLIGATIONS.

7 (A) LIMITATIONS UPON ISSUANCE OF SYSTEM OBLIGATIONS.

8 Subject to the limitations of this Section and Section 28, nothing in this Bond
9 Ordinance shall be construed to prevent the issuance by the Authority of additional
10 System Obligations.

11 (B) PARITY OBLIGATIONS. The tests required in this Section
12 27.(B) shall be performed without adjustment for payments to or withdrawals from
13 the Rate Stabilization Fund or interest accrued in the Acquisition Fund. Except as
14 permitted by Section 28, prior to the issuance of additional Parity Obligations, the
15 Authority shall be current in making all deposits required by Section 21 and the
16 following test shall be satisfied:

17 (1) The Net Revenues for the Historic Test Period shall have
18 been sufficient to pay an amount representing at least 133% of the maximum
19 combined annual Debt Service Requirements of only the Outstanding Parity
20 Obligations and the terms of either subparagraph 2(a) or 2(b) shall be satisfied.

21 (2) (a) Using the fees and rates for use of the System on
22 the date of computation, or assuming that any new schedule of fees and rates
23 approved by the Authority during or after the Historic Test Period was in effect
24 during the entire Historic Test Period, the Net Revenues which were or would have
25 been received during that Historic Test Period shall have been sufficient to pay an
26 amount representing at least 133% of the maximum combined annual Debt Service
27 Requirement on the Outstanding Parity Obligations and the Parity Obligations
28 proposed to be issued; or

29 (b) The projected Net Revenues for the Prospective
30 Test Period shall be sufficient to pay an amount representing at least 133% of the
31 maximum combined annual Debt Service Requirements on the Outstanding Parity

1 Obligations and the Parity Obligations proposed to be issued. To determine if the
2 annual Net Revenues are sufficient for the purposes of the preceding sentence, the
3 Net Revenues projected for the applicable Prospective Test Period shall be
4 determined by applying the rates for use of the System approved by the Board at
5 the time of computation to be in effect during the Prospective Test Period to the
6 proposed number of connections to the System after giving effect to the purchase,
7 expansion or improvement of the System or the acquisition of an existing water and
8 sanitary sewer system.

9 (C) CERTIFICATES. In determining whether additional Parity
10 Obligations may be issued pursuant to Section 27.(B), a written certificate or opinion
11 of an Independent Accountant that states in substance that the Net Revenues are
12 sufficient to pay the amounts required shall be conclusively presumed to be accurate
13 in determining the right of the Authority to authorize, issue, sell and deliver
14 Additional Parity Obligations. Notwithstanding the foregoing, if all Parity Obligations
15 issued prior to August 18, 2004 are no longer Outstanding, then such a certificate
16 or opinion from an Authorized Officer will satisfy the foregoing requirement. Also,
17 an opinion of a Consulting Engineer as to the estimated completion date of the
18 Project to be financed by the proposed Parity Obligations and the estimated Net
19 Revenues for the Prospective Test Period referred to in Section 27.(B)(2)(b) shall
20 be conclusively presumed to be accurate and the Independent Accountant or
21 Authorized Officer, as the case may be, may conclusively rely upon the written
22 opinion of the Consulting Engineer in making the determinations required by Section
23 27.(B).

24 (D) EID LOANS. Until all amounts owed under the EID Loans have
25 been fully paid, prior to the issuance of additional System Obligations other than
26 Parity Obligations with a lien on the Net Revenues superior to the lien of the EID
27 Loans on Net Revenues, the Authority shall obtain the written consent of EID.

28 (E) SUPERIOR OBLIGATIONS PROHIBITED. As long as Parity
29 Obligations are outstanding, the Authority shall not issue additional System
30 Obligations having a lien on the Net Revenues prior and superior to the lien of Parity
31 Obligations on Net Revenues.

1 (F) SUBORDINATED OBLIGATIONS PERMITTED. Except as
2 stated in Section 27.(E), nothing contemplated in this Bond Ordinance shall be
3 construed to prevent the Authority from issuing bonds or other obligations with a lien
4 on Net Revenues subordinate to the lien of the Parity Obligations and the System
5 Obligations that are Subordinated Obligations.

6 Section 28. REFUNDING OBLIGATIONS. The provisions of Section 27 of
7 this Bond Ordinance are subject to the following exceptions:

8 (A) PRIVILEGE OF ISSUING REFUNDING OBLIGATIONS. If at
9 any time while System Obligations remain Outstanding, the Authority desires to
10 refund any Outstanding System Obligations or other obligations payable from Net
11 Revenues, those System Obligations or other obligations, or any part thereof, may
12 be refunded regardless of whether the priority of the lien for the payment of the
13 refunding System Obligations on the Net Revenues is changed (except as provided
14 in paragraphs E and F of Section 27 and in paragraphs B and C of this Section).

15 (B) LIMITATIONS UPON ISSUANCE OF REFUNDING PARITY
16 OBLIGATIONS. No refunding bonds or other refunding obligations shall be issued
17 as Parity Obligations unless:

18 (1) The refunding does not increase: (a) while any Series
19 1990A Bonds are Outstanding, the combined Debt Service Requirements for any
20 Fiscal Year of the Parity Obligations and (b) thereafter, the maximum combined
21 annual Debt Service Requirements of the Parity Obligations, or

22 (2) The refunding Parity Obligations are issued in
23 compliance with Section 27.(B).

24 (C) LIMITATIONS UPON ISSUANCE OF ANY REFUNDING
25 SYSTEM OBLIGATIONS. Any refunding System Obligations shall be issued with
26 such details as the Board may provide by appropriate proceedings but without
27 impairment of any contractual obligation imposed upon the Authority by any
28 proceedings authorizing the issuance of any unrefunded portion of the series of
29 System Obligations to which the refunding was applicable.

30 Section 29. PROTECTIVE COVENANTS. The Authority hereby covenants
31 and agrees with the Owners:

1 (A) USE OF THE BOND PROCEEDS. The Authority will promptly
2 apply the proceeds of the Bonds to the Project and for the other purposes permitted
3 by this Bond Ordinance.

4 (B) PAYMENT OF THE BONDS. The Authority will promptly pay
5 the Debt Service Requirements on the Bonds at the place, on the dates and in the
6 manner specified in this Bond Ordinance and the Bonds.

7 (C) RATE COVENANT.

8 (1) The Authority will charge all purchasers of services of the
9 System, including the Authority, the City and the County, such reasonable and just
10 rates as are sufficient to produce Net Revenues annually to pay 133% of the annual
11 Debt Service Requirements on all System Obligations (excluding accumulation of
12 any reserves therefor).

13 (2) Quarterly, the Authority shall determine that the Net
14 Revenues are sufficient to satisfy the Rate Covenant. If the Net Revenues are not
15 sufficient to satisfy the Rate Covenant upon the approval of the annual audit for a
16 Fiscal Year, the Authority will either: (i) promptly increase the rates for use of the
17 Services of the System in order to generate sufficient Net Revenues to satisfy the
18 Rate Covenant or (ii) employ a consultant or manager for the System who shall
19 have a favorable national reputation for skill and experience in the management,
20 operation and financial affairs of water and sanitary sewer systems and who is not
21 an employee or officer of the Authority. The Authority will request that consultant
22 or manager to make its recommendations if any, as to revisions of the Authority's
23 rate structure and other charges for use of the System, its Operation and
24 Maintenance Expenses and the method of operation of the System in order to
25 satisfy the Rate Covenant as soon as practicable. Copies of any such requests and
26 recommendations of the consultant or manager shall be filed with the Board. So
27 long as the Authority substantially complies with the recommendations of the
28 consultant or manager on a timely basis, the Authority will not be deemed to have
29 defaulted in satisfying the Rate Covenant even if the resulting Net Revenues are not
30 sufficient to be in compliance with the Rate Covenant, if there is no other default
31 under this Bond Ordinance.

1 (3) No free service, facilities or commodities shall be
2 furnished by the System. If the Authority, the City or the County elects to use
3 water supplied by, or the sanitary sewer facilities of, the System or in any other
4 manner use the System, such use of the System by such entity shall be paid from
5 lawfully available money of such entity at the reasonable value of the use made,
6 service rendered or facility or commodity supplied as is charged to other similar
7 users of the System.

8 (4) Nothing contained in this paragraph C shall be
9 interpreted to require the Authority to take any action in violation of any applicable
10 requirement imposed by law.

11 (D) LIEN ON LANDS SERVICED BY SYSTEM. New Mexico law
12 grants the Authority, as a joint agency of the City and County and as a municipal
13 utility, a lien upon each lot or parcel of land for the charges imposed for water and
14 sanitary sewer services supplied by the System to the owner of such lot or parcel
15 (except as otherwise provided in Section 3-23-6 NMSA 1978, as amended). The
16 Authority will cause each lien to be perfected in accordance with the provisions of
17 Sections 3-23-6 and 3-36-1 through 3-36-5 NMSA 1978, as amended. The
18 Authority will take all necessary steps to enforce the lien against any parcel of
19 property the owner of which is delinquent for more than six months in the payment
20 of charges imposed for the use of the System.

21 (E) LEVY OF CHARGES. The Authority will promptly fix, establish
22 and levy the rates and charges which are required by Section 29.(C). No reduction
23 in any initial or existing rate schedule for the System may be made unless:

24 (1) the Authority has fully complied with the provisions of
25 Section 21 of this Bond Ordinance for any 12 consecutive months out of the 16
26 calendar months immediately preceding the reduction of the rate schedule, and

27 (2) the audit required by Section 29.(I) or a separate
28 certificate by an Independent Accountant for or relating to any 12 consecutive
29 months out of the 16 calendar months immediately preceding any reduction
30 discloses that the estimated Net Revenues resulting from the proposed reduced rate
31 schedule would have been sufficient to meet the Rate Covenant during the

1 applicable 12-month period.

2 (F) EFFICIENT OPERATION. The Authority will maintain the
3 System in efficient operating condition and make such improvements, extensions,
4 enlargements, repairs and betterments to the System as may be necessary or
5 advisable for its economical and efficient operation at all times and to supply
6 reasonable public and private demands for System services within the Authority and
7 the territory adjacent to the Authority.

8 (G) RECORDS. So long as the Bonds remain Outstanding, proper
9 books of record and account will be kept, or the Authority will cause to be kept, by
10 the Authority, separate from all other records and accounts, showing complete and
11 correct entries of all transactions relating to the System.

12 (H) RIGHT TO INSPECT. Owners, or their duly authorized agents,
13 shall have the right to inspect at all reasonable times all records, accounts and data
14 relating to the System; however, pursuant to Section 6-14-10(E) NMSA 1978,
15 records with regard to the ownership or pledge of the Bonds are not subject to
16 inspection or copying. .

17 (I) AUDITS. With respect to the Bonds and other System
18 Obligations issued subsequent to the date of the adoption of City Ordinance
19 Enactment No. 66-1993, unless otherwise stated in a subsequent ordinance or
20 resolution of the Authority, within 270 days following the close of each Fiscal Year,
21 the Authority will cause an audit of the books and accounts of the System to be
22 made by an Independent Accountant. Each audit of the System shall include those
23 matters determined to be proper by the Independent Accountant. Quarterly financial
24 statements shall be prepared and completed, or caused to be prepared and
25 completed, by Authority employees during the months of October, January and
26 April of each Fiscal Year.

27 (J) BILLING PROCEDURE. Bills for water, water services or
28 facilities, sanitary sewer service or facilities, or any combination thereof, furnished
29 by or through the System shall be provided to customers on a regular basis each
30 month following the month in which the service was rendered and shall be due as
31 required by Authority ordinance. If permitted by law, if a bill is not paid within the

1 period of time required by Authority ordinance, water and sanitary sewer services
2 shall be discontinued as required by Authority ordinance, and the rates and charges
3 due shall be collected in a lawful manner, including but not limited to the cost of
4 disconnection and reconnection.

5 (K) CHARGES AND LIENS UPON SYSTEM. The Authority will pay
6 when due from Gross Revenues or other legally available funds all taxes and
7 assessments or other municipal or governmental charges, lawfully levied or
8 assessed upon the System and will observe and comply with all valid requirements
9 of any municipal or governmental authority relating to the System. The Authority will
10 not create or permit any lien or charge upon the System or the Gross Revenues or
11 Net Revenues except as permitted by this Bond Ordinance, or it will make adequate
12 provisions to satisfy and discharge within 60 days after the same accrue, all lawful
13 claims and demands for labor, materials, supplies or other objects, which, if unpaid,
14 might by law become a lien upon the System or the Gross Revenues. However, the
15 Authority shall not be required to pay or cause to be discharged, or make provision
16 for any tax assessment, lien or charge before the time when payment becomes due
17 or so long as the validity thereof is contested in good faith by appropriate legal
18 proceedings and there is no adverse affect on Owners.

19 (L) INSURANCE. In its operation of the System, the Authority will
20 carry fire and extended coverage insurance. As required by law, the Authority will
21 acquire insurance or maintain a self-insurance fund to cover workmen's
22 compensation insurance and public liability insurance. In the event of property loss
23 or damage to the System, insurance proceeds shall be used first for the purpose of
24 restoring or replacing the property lost or damaged and any remainder shall be
25 treated as Gross Revenues.

26 (M) [RESERVED]

27 (N) ALIENATING SYSTEM. Except as permitted in this Bond
28 Ordinance, while any Bonds are Outstanding, the Authority will not sell, lease,
29 mortgage, pledge or otherwise encumber, or in any manner dispose of, or otherwise
30 alienate, any part of the System, except that the Authority may sell any portion of the
31 property of the System which is replaced by other property of at least equal value,

1 or which ceases to be necessary for the efficient operation of the System. In the
2 event of any sale of System property, the proceeds of such sale which are not used
3 to purchase other System property shall be distributed as Gross Revenues.

4 (O) EXTENDING INTEREST PAYMENTS. To prevent any accumulation
5 of claims for interest after maturity, except as permitted by this Bond Ordinance, the
6 Authority will not directly or indirectly extend or assent to the extension of the time
7 for the payment of any claim for interest on the Bonds. If the time for payment of
8 interest is extended contrary to the provisions of this Section, the installments of
9 interest extended shall not be entitled, in case of an event of default under this Bond
10 Ordinance, to the benefit or security of this Bond Ordinance until the prior payment
11 in full of the principal of and interest on all other Bonds then Outstanding.

12 (P) COMPETENT MANAGEMENT. The Authority shall employ
13 experienced and competent personnel to manage the System.

14 (Q) PERFORMING DUTIES. The Authority will faithfully and
15 punctually perform all duties with respect to the System required by State, City and
16 County laws including, but not limited to, making and collecting reasonable and
17 sufficient rates and charges for services rendered or furnished by the System as
18 required by this Section and the proper segregation and application of the Gross
19 Revenues.

20 (R) OTHER LIENS. Other than as stated in or provided by the
21 Bond Ordinance or Official Statement, there are no liens or encumbrances of any
22 nature whatsoever on or against the System or Gross Revenues or Net Revenues.

23 (S) AUTHORITY'S EXISTENCE. The Authority will maintain its
24 corporate identity and existence as long as the Bonds remain outstanding unless
25 another political subdivision by operation of law or otherwise succeeds to the
26 liabilities and rights of the Authority, without adversely affecting to any substantial
27 degree the privileges and rights of any Owner. However, the Authority may annex
28 or de-annex land if the Authority complies with other applicable covenants contained
29 in this Bond Ordinance.

30 (T) TAX COMPLIANCE. The Authority covenants that it will use,
31 and will restrict the use and investment of, the proceeds of the Bonds in such

1 manner and to such extent as may be necessary so that (a) the Bonds will not (i)
2 constitute private activity bonds, arbitrage bonds or hedge bonds under Sections
3 141, 148 or 149 of the Code or (ii) be treated other than as bonds to which Section
4 103(a) of the Code applies, and (b) the interest thereon will not be treated as a
5 preference item under Section 57 of the Code.

6 The Authority further covenants (a) that it will take or cause to be taken such
7 actions that may be required of it for the interest on the Bonds to be and to remain
8 excluded from gross income for federal income tax purposes, (b) that it will not take
9 or authorize to be taken any actions that would adversely affect that exclusion, and
10 (c) that it, or persons acting for it, will, among other acts of compliance, (i) apply the
11 proceeds of the Bonds to the governmental purposes of the borrowings, (ii) restrict
12 the yield on investment property, (iii) make timely and adequate rebate payments
13 or payments of alternative amounts in lieu of rebate to the federal government, (iv)
14 maintain books and records and make calculations and reports, and (v) refrain from
15 certain uses of those proceeds and, as applicable, of property financed with such
16 proceeds, all in such manner to the extent necessary to assure such exclusion of
17 that interest under the Code.

18 Authorized Officers are hereby authorized (a) to make or effect any election,
19 selection, designation, choice, consent, approval, or waiver on behalf of the
20 Authority as the Authority is permitted or required to make or give under the federal
21 income tax laws including, without limitation thereto, any of the elections provided
22 for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code,
23 for the purpose of assuring, enhancing or protecting favorable tax treatment or
24 status of the Bonds or interest thereon or assisting in the compliance with
25 requirements for that purpose, reducing the burden or expense of such compliance,
26 reducing the rebate amount or payments of penalties, or making payments of
27 special amounts in lieu of making computations to determine, or paying, excess
28 earnings as rebate, or obviating those amounts or payments, as determined by that
29 officer, which action shall be in writing and signed by the Authorized Officer, (b) to
30 take any and all other actions, make or obtain calculations, make payments, and
31 make or give reports, covenants and certifications of and on behalf of the Authority,

1 as may be appropriate to assure the exclusion of interest from gross income and the
2 intended tax status of the Bonds, and (c) to give one or more appropriate certificates
3 of the Authority, for inclusion in the transcripts of the proceedings for the Bonds,
4 setting forth the reasonable expectations of the Authority regarding the amount and
5 use of all the proceeds of the Bonds, the facts, circumstances and estimates on
6 which they are based, and other facts and circumstances relevant to the tax
7 treatment of the interest on and the tax status of the Bonds.

8 Section 30. REBATE FUND. A separate account of the Rebate Fund shall
9 not be required for the Bonds provided that the Authority shall comply with the
10 provisions of Section 29.(T).

11 Section 31. EVENTS OF DEFAULT. Each of the following events is
12 declared an "event of default" under this Bond Ordinance:

13 (A) NONPAYMENT OF PRINCIPAL OR ACCRETED VALUE.
14 Failure to pay the principal or Accreted Value of the Bonds or any Parity Obligations
15 when due and payable, either at maturity or otherwise.

16 (B) NONPAYMENT OF INTEREST. Failure to pay any installment
17 of interest on the Bonds or Parity Obligations when due and payable.

18 (C) INCAPABLE OF PERFORMING. For any reason, the Authority
19 becomes incapable of fulfilling its obligations under this Bond Ordinance.

20 (D) DEFAULTS OF ANY OTHER PROVISION. Default by the
21 Authority in the due and punctual performance of its covenants, conditions,
22 agreements and provisions contained in System Obligations or in the Authority
23 ordinance authorizing those System Obligations and the continuance of such default
24 (other than a default set forth in paragraphs A, B and C of this Section) for 60 days
25 after written notice specifying such default and requiring the same to be remedied
26 has been given to the Authority by any Credit Source or the Owners of 25% in
27 principal amount and Accreted Value of the System Obligations then Outstanding.

28 Section 32. REMEDIES UPON DEFAULT. Upon the happening and
29 continuance of any of the events of default stated in Section 31:

30 (A) any applicable Credit Source may proceed with any available
31 remedies under any Credit Facility and

1 (B) the Owners of not less than 66% in principal amount and
2 Accreted Value of the System Obligations then Outstanding, including but not
3 limited to a trustee or trustees therefor, with the consent of the Credit Source with
4 respect to Insured Obligations, may proceed against the Authority or the Board or
5 both to:

6 (1) protect and enforce the rights of the Owners by
7 mandamus or other suit, action or special proceedings in equity or at law, in any
8 court of competent jurisdiction, either for the appointment of a receiver or for the
9 specific performance of any covenant or agreement contained in this Bond
10 Ordinance or for the enforcement of any proper legal or equitable remedy as those
11 Owners may deem necessary or desirable to protect and enforce their rights,

12 (2) to enjoin any act or thing which may be unlawful or in
13 violation of any right of any Owner,

14 (3) to require the Board to act as if it were the trustee of an
15 express trust, or

16 (4) any combination of those remedies.

17 All proceedings shall be instituted and maintained for the equal benefit
18 of all Owners of System Obligations then Outstanding, subject to the provisions of
19 Section 21 of this Bond Ordinance, with respect to the use of Gross Revenues. The
20 Owners by purchasing System Obligations consent to the appointment of a receiver
21 to protect the rights of the Owners. The receiver may enter and take possession of
22 and operate and maintain the System and shall prescribe rates, fees or charges and
23 collect, receive and apply all Gross Revenues as required by this Bond Ordinance.
24 The failure of any Owner to exercise any right granted by this Section shall not
25 relieve the Authority of any obligation to perform any duty. Each right or privilege
26 of any Owner (or trustee or receiver therefor) is in addition and cumulative to any
27 other right or privilege and the exercise of any right or privilege by or on behalf of
28 any Owner shall not be deemed a waiver of any other right or privilege of any
29 Owner.

30 Notwithstanding any other provision in this Bond Ordinance, no
31 recourse shall be had for the payment of any Bond or for any claim based on any

1 other obligation, covenant or agreement contained in this Bond Ordinance against
2 any past, present or future officer, employee or agent of the Authority or member of
3 the Board, and all such liability of any such officers, employees, agents or member
4 (as such) is released as a condition of and consideration for the adoption of this
5 Bond Ordinance and the Continuing Disclosure Certificate and the issuance of the
6 Bonds.

7 Upon the occurrence and continuance of an Event of Default, so long
8 as the Credit Source, if any, is not in default in its payment obligations under the
9 Bond Insurance Policy, the Credit Source shall be entitled to control and direct the
10 enforcement of all rights and remedies granted to the Owners with respect to
11 Insured Obligations and such Credit Source shall also be entitled to direct and
12 approve all waivers of Events of Default with respect to Insured Obligations.

13 Section 33. DUTIES UPON DEFAULT. Upon the happening of any of the
14 events of default listed in Section 31, the Authority will do and perform all proper
15 acts on behalf of and for the Owners necessary to protect and preserve the security
16 created for the payment of the System Obligations and for the payment of the Debt
17 Service Requirements on the System Obligations promptly as the same become
18 due. As long as any of the System Obligations are Outstanding, all Gross
19 Revenues shall be distributed and used for the purpose and with the priorities set
20 forth in Section 21. If the Authority fails or refuses to proceed as provided in this
21 Section, the Owners of not less than 66% in principal amount and Accreted Value
22 of the System Obligations then Outstanding, after demand in writing, may proceed
23 to protect and enforce the rights of the Owners as provided in this Bond Ordinance.

24 Section 34. DEFEASANCE. When all principal, interest and prior
25 redemption premiums, if any, in connection with all or any part of the Bonds have
26 been paid or provided for (including amounts owed to the Credit Source, if any,
27 under any Bond Insurance Policy), the pledge and lien and all obligations under this
28 Bond Ordinance with respect to those Bonds and any Bond Insurance Policy shall
29 be discharged and those Bonds shall no longer be deemed to be outstanding within
30 the meaning of this Bond Ordinance.

31 Without limiting the preceding paragraph, there shall be deemed to be such

1 payment when: (i) the Board has caused to be placed in escrow and in trust with
2 an escrow agent located within or without the State and exercising trust powers, an
3 amount sufficient (including the known minimum yield from Defeasance Obligations
4 in which such amount may be initially invested) to pay all requirements of principal,
5 interest and prior redemption premium, if any, on the Bonds to be defeased as the
6 same become due to the final maturities or upon designated prior redemption dates,
7 and (ii) any Bonds to be redeemed prior to maturity shall have been duly called for
8 redemption or irrevocable instructions to call such Bonds for redemption have been
9 given to the Registrar. The escrow agent shall have received evidence satisfactory
10 to it that the cash and Defeasance Obligations delivered will be sufficient to provide
11 for the payment of the Bonds to be defeased as stated above. Neither the
12 Defeasance Obligations nor money deposited with the escrow agent shall be
13 withdrawn or used for any purpose other than as provided in the escrow agreement
14 and the Defeasance Obligations and money shall be segregated and held in trust
15 for the payment of the principal and premium, if any, and interest on the Bonds with
16 respect to which such deposit has been made. The Defeasance Obligations shall
17 become due prior to the respective times at which the proceeds are needed in
18 accordance with a schedule established and agreed upon between the Board and
19 the escrow agent at the time of the creation of the escrow, or the Defeasance
20 Obligations shall be subject to redemption but only at the option of the holders or
21 owners thereof to assure the availability of the proceeds as needed to meet the
22 schedule.

23 Until reimbursement is made by the Authority to the applicable Credit Source,
24 if the principal and/or interest due on Insured Obligations is paid by a Credit Source
25 pursuant to a Credit Facility, the applicable Insured Obligations shall remain
26 outstanding, shall not be defeased or otherwise satisfied and shall not be considered
27 to be paid by the Authority. In such case, the assignment and pledge of the Net
28 Revenues for the payment of the Insured Obligations paid by the Credit Source and
29 all covenants, agreements and other obligations of the Authority to the Owners of
30 those Insured Obligations shall continue to exist and shall run to the benefit of that
31 Credit Source and that Credit Source shall be subrogated to the rights of the owners

1 of those Insured Obligations, until all obligations of the Authority to that Credit
2 Source have been paid.

3 If any Bonds are deemed to be paid and discharged pursuant to this Section,
4 within 15 days after the date of defeasance, the Authority shall cause written notice
5 to be given to each Owner of the Bonds deemed paid and discharged at the address
6 shown on the Bond register on the date on which those Bonds are deemed paid and
7 discharged. The notice shall state the numbers of the Bonds deemed paid and
8 discharged (if less than all the Bonds are deemed paid and discharged), describe
9 the Defeasance Obligations and specify any date or dates on which the Bonds
10 defeased are to be called for redemption pursuant to notice of redemption given or
11 irrevocable provisions made for that notice pursuant to this Section.

12 Notwithstanding the foregoing, any provisions of this Bond Ordinance which
13 relate to indemnification and the payment of fees and expenses, the payment of the
14 principal of and premium of Bonds at maturity or on a prior redemption date, interest
15 payments and dates thereof, exchange, registration of transfer and registration of
16 Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping
17 and cancellation of Bonds, non-presentment of Bonds, the holding of money in trust,
18 the obligations set forth in this Bond Ordinance regarding rebate, and the duties of
19 the Registrar, Authenticating Agent and Paying Agent in connection with all of the
20 foregoing shall remain in effect and be binding upon the Owners, the Registrar,
21 Authenticating Agent and Paying Agent notwithstanding the release and discharge
22 of the Bond Legislation. The provisions of this Section shall survive the release,
23 discharge and satisfaction of the Bond Legislation.

24 Section 35. BONDS NOT PRESENTED WHEN DUE. If any Bonds are not
25 duly presented for payment when due at maturity or on any prior redemption date,
26 and if money sufficient for the payment of those Bonds is on deposit with the Paying
27 Agent, and, in the case of the Bonds to be redeemed, if notice of redemption has
28 been given as provided in this Bond Ordinance, all liability of the Authority to the
29 Owners of those Bonds shall be discharged, those Bonds shall no longer be
30 Outstanding and it shall be the duty of the Paying Agent to segregate and to hold
31 such money in trust, without liability for interest thereon, for the benefit of the

1 Owners of those Bonds.

2 Section 36. DELEGATED POWERS. The officers of the Authority are
3 authorized and directed to take all action from time to time which is necessary or
4 appropriate to effectuate the provisions of the Bond Legislation, the Bonds,
5 including, without limitation, the execution of any credit facility, any liquidity
6 agreement, any remarketing agreement, any qualified exchange agreement, the
7 delivery of a "deemed final" certificate relating to the disclosure document for the
8 Bonds, the publication of a summary of this Bond Ordinance substantially in the
9 form set out in Section 44, the distribution of material related to the Bonds, the
10 printing of the Bonds and the execution of related documents and certificates
11 pertaining to the System, the Bonds, and the delivery of and security for the Bonds,
12 as may be reasonably required by the Purchasers. The Officers of the Authority are
13 authorized and directed to take all action from time to time which is desirable or
14 necessary for the Authority with respect to arbitrage rebate requirements under
15 Section 148(f) of the Code.

16 The Executive Director of the Authority, or his successor in interest, is hereby
17 authorized and directed to make such changes or corrections to the procedures
18 established in this Bond Ordinance relating to the times of day or the days on which
19 actions are required to be taken, or the persons responsible for particular actions,
20 the form of notice of the occurrence of events, the types and forms of actions
21 required and other similar administrative matters which, in his judgment, are
22 necessary and appropriate to accomplish the purposes of the Bond Legislation and
23 to provide for the efficient administration of the System and the Bonds. Notice of
24 any such changes or corrections shall be given to all persons affected thereby and
25 to Bond Counsel for the Authority and a certificate of such changes and correction
26 shall be filed with the Board.

27 Section 37. AMENDMENT OF BOND ORDINANCE.

28 (A) LIMITATIONS UPON AMENDMENTS. This Bond Ordinance
29 may be amended by ordinance or resolution of the Board without the consent of
30 Owners but with the consent of any Credit Source providing a Credit Facility which
31 is in effect and which pertains to the Bonds, affected by the amendment if the Credit

1 Source is not in default in its obligations under the Credit Facility:

2 (1) To cure any ambiguity, or to cure, correct or supplement
3 any defect or inconsistent provision contained in this Bond Ordinance;

4 (2) To grant to the Owners any additional rights, remedies,
5 powers or authority that may lawfully be granted to them;

6 (3) To obtain or maintain a rating on the Bonds from any
7 rating agency which amendment, in the judgment of Bond Counsel, does not
8 materially adversely affect the Owners of the Bonds;

9 (4) To achieve compliance with federal securities or tax
10 laws; and

11 (5) To make any other changes in this Bond Ordinance or
12 Sale Resolution which, in the opinion of Bond Counsel, are not materially adverse
13 to the Owners.

14 (B) ADDITIONAL AMENDMENTS. Except as provided above, the
15 Bond Ordinance may only be amended or supplemented by ordinance or resolution
16 adopted by the Board in accordance with the laws of the State, without receipt by
17 the Authority of any additional consideration, but with the written consent of the
18 Owners of a majority of the principal amount of the Bonds then Outstanding which
19 are affected by the amendment or supplement (not including the Bonds which are
20 then owned by or for the account of the Authority) and of any Credit Source
21 providing a Credit Facility which is in effect affected by the amendment or
22 supplement, if the Credit Source is not in default in its obligations under the Credit
23 Facility; provided, however, that no such ordinances shall have the effect of
24 permitting:

25 (1) An extension of the maturity of any Bond; or

26 (2) A reduction in the principal amount of, premium, if any,
27 or interest rate on any Bond; or

28 (3) The creation of a lien on or a pledge of Net Revenues
29 ranking prior to the lien or pledge of Parity Obligations on Net Revenues; or

30 (4) A reduction of the principal amount of the Bonds required
31 for consent to such amendment or supplement.

1 (C) PROOF OF INSTRUMENTS. The fact and date of the
2 execution of any instrument under the provisions of this Section may be proved by
3 the certificate of any officer in any jurisdiction who by the laws of that jurisdiction is
4 authorized to take acknowledgments of deeds within that jurisdiction that the person
5 signing the instrument acknowledged before him the execution of that instrument,
6 or may be proved by an affidavit of a witness to the execution sworn to before such
7 officer.

8 Section 38. LIMITATION OF RIGHTS. Nothing in the Bond Legislation
9 expressed or implied is intended or shall be construed to give to any Person other
10 than the Owners, the Authority and the parties to which such right, remedy or claim
11 is expressly granted by the Bond Legislation any legal or equitable right, remedy or
12 claim under or in respect to the Bond Legislation or any covenant, condition or
13 stipulation of the Bond Legislation, and all covenants, stipulations, promises and
14 agreements in the Bond Legislation shall be for the sole and exclusive benefit of the
15 Authority, the Paying Agent and the Owners.

16 Section 39. NOTICES. Except as otherwise specifically required in this
17 Bond Ordinance, notice with respect to the Bonds shall be effective when received
18 and it shall be sufficient service of any notice, request, demand or other paper if the
19 same is given: (i) orally, or (ii) by certified or registered mail, or (iii) by Electronic
20 Means, or (iv) hand delivered; provided that any notice given orally, including notice
21 by telephone, must be confirmed by notice in writing as set forth in clause (ii), (iii)
22 (except by telephone) or (iv) above initiated within one Business Day after oral
23 Notice is given. Notice shall be given as follows:

24 (A) If to the Authority:
25 Albuquerque Bernalillo County Water Utility Authority
26 One Civic Plaza, N.W., Room 5012
27 Albuquerque, NM 87102
28 Attention: Executive Director
29 (505) 768-2500
30 (505) 768-2580 (Fax)

31

1 Copy to Authority Attorney:
2 Sheehan, Sheehan and Stelzner
3 707 Broadway, N.E., #300
4 Albuquerque, NM 87102
5 Attention: Nann Winter
6 (505) 944-0047
7 (505) 842-8890 (Fax)
8

9 (B) If to the City:
10 City of Albuquerque
11 One Civic Plaza, N.W.
12 Attention: City Treasurer
13 (505) 768-3396
14 (505) 768-3447 (Fax)
15

16 (C) If to the County:
17 Bernalillo County, New Mexico
18 One Civic Plaza NW, 10th Floor
19 Albuquerque, NM 87102
20 Attention: County Manager
21 (505) 768-4000
22 (505) 768-4329 (Fax)
23

24 (D) If to the Initial Paying Agent:
25 City of Albuquerque
26 One Civic Plaza NW
27 Albuquerque, NM 87102
28 Attention: City Treasurer
29 (505) 768-3396
30

31 Any such party may, by notice as set forth above to other parties, designate

1 any further or different address to which subsequent notices, certificates or other
2 communication shall be sent. All notices sent pursuant to this Bond Ordinance to
3 any Owner shall also be sent to the Credit Source, if any, of the Bonds.

4 When this Bond Ordinance provides for notice to the Owners of Bonds
5 of any event, such notice shall be sufficiently given (unless otherwise expressly
6 provided in this Bond Ordinance) if in writing and given in accordance with this
7 Section to each Owner of Bonds affected by such event, at his address as is
8 appears on the register for the Bonds. In any case where notice to an Owner of
9 Bonds is given by mail, neither the failure to mail such notice nor any defect in any
10 notice mailed to any particular Owner of Bonds shall affect the sufficiency of such
11 notice with respect to any other Owner, and any notice which is mailed in the
12 manner provided in this paragraph shall conclusively be presumed to have been
13 duly given.

14 Where this Bond Ordinance provides for notice upon the occurrence
15 of any event, that notice may be waived by the person entitled to receive that notice,
16 either before or after the event, and such waiver shall be the equivalent of notice.

17 The Paying Agent shall provide Moody's, S&P, and Fitch if the Bonds
18 are then rated by Moody's, S&P, and Fitch as applicable, with prior written notice of
19 any amendments to this Bond Ordinance and the redemption of Bonds pursuant to
20 Section 8.(A) or paid pursuant to Section 34. Such notice shall be sent (a) to
21 Moody's at: Moody's Investors Service, Public Finance Department – Structured
22 Finance Group, 99 Church Street, New York, New York 10007, and (b) to S&P at:
23 Standard & Poor's Corporation, Attention: Municipal Finance Department –
24 Structured Finance Group, 25 Broadway, 20th Floor, New York, New York 10004,
25 and Fitch Ratings, One State Street Plaza, New York, NY 10004.

26 Section 40. BOND ORDINANCE IRREPEALABLE AS TO THE BONDS.
27 After any of the Bonds are issued, this Bond Ordinance shall be and remain
28 irrevocable until the Debt Service Requirements on all the Bonds are fully paid and
29 discharged and the Bonds are canceled, as provided in this Bond Ordinance, or
30 there has been defeasance of all the Bonds as provided in this Bond Ordinance.

31 Section 41. [RESERVED].

1 Section 42. SEVERABILITY CLAUSE. If any section, paragraph, clause or
2 provision of this Bond Ordinance shall for any reason be held to be in valid or
3 unenforceable, the invalidity or unenforceability of that section, paragraph, clause
4 or provision shall not affect any of the remaining provisions of this Bond Ordinance.

5 Section 43. REPEALER CLAUSE. All bylaws, orders, resolutions and
6 ordinances, or parts thereof, inconsistent with this Bond Ordinance are repealed to
7 the extent only of such inconsistency. This repealer shall not be construed to revive
8 any bylaw, order, resolution or Ordinance, or part thereof, previously repealed.

9 Section 44. [RESERVED].

10 Section 45. GENERAL SUMMARY FOR PUBLICATION. The title and a
11 general summary of the subject matter contained in the Ordinance shall be
12 published in substantially the following form:

13 (Form of Summary of Ordinance for Publication)

14 Albuquerque Bernalillo County Water Utility Authority

15 Notice of Adoption of Ordinance

16 NOTICE IS HEREBY GIVEN, pursuant to the provisions of Section 6-14-6
17 NMSA 1978, that on May 17, 2006, the Board of Albuquerque Bernalillo County
18 Water Utility Authority (the "Authority") adopted Authority Ordinance No. O-05-2 (the
19 "Ordinance"), an ordinance which authorizes the issuance of (i) the Authority's Joint
20 Water and Sewer System Refunding and Improvement Revenue Bonds, in one or
21 more series, in a maximum principal amount of \$200,000,000 to improve the
22 Authority's joint water and sewer system (the "System").

23 The title of the Ordinance is:

24 **ORDINANCE**

25 **AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE**
26 **BERNALILLO COUNTY WATER UTILITY AUTHORITY (THE**
27 **“AUTHORITY”) JOINT WATER AND SEWER SYSTEM REFUNDING AND**
28 **IMPROVEMENT REVENUE BONDS, IN ONE OR MORE SERIES, IN A**
29 **MAXIMUM PRINCIPAL AMOUNT OF \$200,000,000 (THE “BONDS”) FOR**
30 **THE PURPOSES OF REFUNDING ALL OR A PORTION OF THE CITY OF**
31 **ALBUQUERQUE, NEW MEXICO JOINT WATER AND SEWER SYSTEM**

1 **REVENUE BONDS, SERIES 1997, AND EXTENDING, REPAIRING,**
2 **REPLACING AND IMPROVING THE AUTHORITY’S JOINT WATER AND**
3 **SEWER SYSTEM; PROVIDING FOR THE DISPOSITION OF, AND OTHER**
4 **DETAILS RELATING TO, THE REVENUES FROM THE OPERATION OF**
5 **THE SYSTEM INCLUDING THE PAYMENT OF DEBT SERVICE ON**
6 **SYSTEM OBLIGATIONS; PROVIDING FOR THE APPROVAL OF**
7 **VARIOUS AGREEMENTS AND DISCLOSURE DOCUMENTS RELATING**
8 **TO THE BONDS; AND RATIFYING ACTION PREVIOUSLY TAKEN.**

9 The following is a general summary of the subjects matter contained in the
10 Ordinance (the "Ordinance"):

11 Preambles recite or include such matters as: the operation of the Authority
12 as; the Authority's current operation of the System as a joint public utility water and
13 sewer system; the present water and sewer facilities comprising the System are
14 inadequate; and that it is in the best interests of the Authority to issue bonds (the
15 "Bonds") pursuant to the Ordinance payable from and with a lien on the net
16 revenues of the System (the "Net Revenues") on a parity with the lien on Net
17 Revenues of certain other outstanding System bonds of the Authority.

18 SECTIONS 1 THROUGH 4 define terms used in the Ordinance; ratify prior
19 action of the Authority relating to the Bonds; include findings that the issuance of the
20 Bonds to refund the Refunded Bonds and to improve the System (the "Project") are
21 necessary and will benefit the public; provide that the System shall continue to be
22 operated and maintained as a joint public utility; and affirm the Authority’s liability for
23 certain obligations.

24 SECTIONS 5 THROUGH 9 authorize the Project; approve the funding of
25 reserve accounts for the Bonds; authorize the issuance of the Bonds in an
26 aggregate maximum principal amount of \$200,000,000 for the Project, with a
27 maximum net effective interest rate of 12% per annum; provide details relating to the
28 Bonds; establish the priority of the Bonds on Net Revenues on a parity with the lien
29 on Net Revenues of certain other System bonds of the Authority; permit the optional
30 redemption of the Bonds by the Authority; and provide for the transfer and exchange
31 of the Bonds.

1 SECTIONS 10 THROUGH 18 provide details relating to the execution of the
2 Bonds; provide that the Bonds shall be fully negotiable instruments; provide that the
3 Bonds shall be special limited obligations of the Authority, payable solely from Net
4 Revenues, proceeds of the Bonds and earnings thereon; provide for the sale of the
5 Bonds at negotiated sales; provide that the period of usefulness of the System is
6 in excess of the final maturity date of the Bonds; provide for the use and deposit of
7 the proceeds of the Bonds.

8 SECTIONS 19 THROUGH 28 approve the use of certain documents related
9 to the Bonds; provide for the continuation and administration of certain funds and
10 accounts related to the System and the Bonds; provide for the priority for the use of
11 Net Revenues; provide that the Bonds shall have an irrevocable lien on the Net
12 Revenues; provide that the Bonds may be payable with proceeds of bond insurance
13 policies; and provide the limitations upon which the Authority may issue additional
14 bonds and refunding bonds payable from Net Revenues.

15 SECTIONS 29 THROUGH 35 provide protective covenants for the benefit of
16 the purchasers of the Bonds such as: use of the Bond proceeds, a rate covenant
17 and charges for use of the System, System audits, liens upon the System,
18 insurance, competing water and sewer systems, alienating the System, and
19 management of the System; define events of default; establish remedies and duties
20 upon default; provide for the defeasance of the Bonds; and provide for the payment
21 of Bonds not presented when due.

22 SECTIONS 36 THROUGH 45 delegate powers to officers of the Authority;
23 provide details relating to amendments to the Ordinance; limit rights given under the
24 Ordinance to the Authority, the Paying Agent and the owners of Bonds; provide that
25 the Ordinance shall remain irrepealable; provide severability and repealer clauses;
26 provide that the Ordinance will become effective upon publication of this notice; and
27 provide for a general summary for publication.

28 WITNESS my hand and the Seal of the Authority as of May 17, 2006.

29

30

31

Executive Director

(End of Summary of Ordinance for Publication)

PASSED AND ADOPTED THIS 17th DAY OF MAY, 2006.

BY A VOTE OF ____ FOR AND ____ AGAINST.

Chair

ATTEST:

Secretary

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